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Disputing
the Euphrates
Page 5

World Business Newspaper THURSDAY FEBRUARY 15 1996

Unilever makes \$770m bid for US hair care group

Anglo-Dutch consumer goods company, Unilever, yesterday made a \$770m offer for Helene Curtis, a US maker of shampoos and other personal products. The purchase overcomes a critical strategic weakness for Unilever, which is hampered by a lack of hair care products in the US where it is strong in areas such as skin care and toothpaste. Helene Curtis has about 20 per cent of the hair market with its Suave shampoo. Page 13; Lex, Page 14

Gramm pulls out of US presidential race
Senator Phil Gramm of Texas pulled out of the race for the Republican presidential nomination, leaving the remaining eight candidates competing for his supporters ahead of the make-or-buy New Hampshire primary. "It would be unfair for me to remain in the race when I know I'm not going to win," he said. Mr Gramm said he had not yet made up his mind on endorsing another candidate. Page 14; White House upbeat on upturn. Page 4

Bosnian Muslims face war crimes moves
The United Nations war crimes prosecutor, Judge Richard Goldstone, faced with furious Serb allegations of bias, said he expected to indict some Bosnian Muslims in the next few weeks. Page 2

Turkish parties to resume coalition talks
Turkey's Islamist party, Refah, and the opposition conservative Motherland party are to resume talks today amid suggestions they had agreed to form a new coalition government. Page 14

Renault, the state-controlled French vehicles group, hinted profits for 1995 may be below those for 1994 due to difficult trading conditions in the second half of last year. Page 16

Plan to boost La Scala approved
The Milan city authorities approved a plan to take over the running of the Italian opera house in a move to inject new capital and avoid the disputes which have often threatened to paralyse it. Page 2

Shell, the US oil group, is planning a \$1.24bn (\$382m) takeover bid for Ampol, the Sydney-based energy group with oil and gas production assets. Ampol said the bid was unsolicited and that it would issue a formal response later. Page 15

South Africa to improve work conditions
The South African government proposed sweeping changes to basic conditions of employment, but stopped short of seeking to impose a national minimum wage. Page 5

UK to oppose defence merger idea
The UK Ministry of Defence would oppose any attempt by the General Electric Company and British Aerospace to merge their defence businesses, according to private MoD documents. However, the companies are likely to fight to get the policy changed in case they decide to merge. Page 14

MEPs vote for TV quotas
Euro-MPs voted in favour of controversial proposals which would force European broadcasters to screen a quota of European-made programmes. Page 2

PolyGram, the world's largest music group, plans to bid for Hollywood film studio, MGM/UA, but "only if the price is right", says its president Alain Levy. Page 15; Lex, Page 14

Former Spanish judge gunned down
A former leading judge and university professor, Francisco Tomaz y Valiente, was shot dead in Madrid. The police said it did not know who was responsible for the killing. Page 9

Deaths ahead of Bangladesh poll
Three people were killed in bomb blasts and around 150 injured in widespread violence in Bangladesh despite tight security ahead of today's general elections. Bangladesh PM's warning. Page 6

Portugal set to reverse time decision
Portugal is expected to abandon Central European Time and move its clocks back an hour to the same time as the UK and Ireland after four years of aligning with the rest of western Europe. Page 2

World Cup cricket
England lost their opening match in the World Cup tournament against New Zealand by 11 runs in Ahmedabad, India.

Drinker behind bars again
Franchman Philippe Delandtscheer has been jailed for the 51st time in Lille, northern France, for stealing another bottle of his favourite aniseed-flavoured liqueur.

Market	Value	% Change
New York Composite	5,992.57	+0.38
NASDAQ Composite	1,885.28	+1.34
Europe and Far East	1,858.36	+0.35
FT-SE 100	1,745.0	+0.34
Nikkei	20,943.59	+1.05

Instrument	Rate
Federal Funds	5.25%
3-mth Treasury Bill	4.9125%
Long Bond	7.50%
Yield	6.85%

Instrument	Rate
90-day T-bill	5.25%
180-day T-bill	5.25%
1-yr T-bill	5.25%
1-yr Note	6.50%
5-yr Note	7.25%
10-yr Note	7.50%

Market	Value
New York Comex	\$406.5
London	\$402.4

Market	Value
New York Comex	\$1.53
London	\$1.53

Market	Value
London	1.5335
Frankfurt	1.4682
Paris	1.5252
Stockholm	1.5183
Osaka	1.5885

Instrument	Value
Brand 15-day (Mar)	\$17.76

Instrument	Value
DM 120 Germany	DM4.00
Yen 100 Japan	¥100.00
US \$100 US	\$100.00
Sw \$100 Switzerland	Sfr100.00
HK \$100 Hong Kong	HK\$100.00
S\$100 Singapore	S\$100.00
RM100 Malaysia	RM100.00
A\$100 Australia	A\$100.00
£100 UK	£100.00

Long-awaited Scania flotation set to go ahead

By Hugh Carnegie in Stockholm

Investor, the main investment arm of Sweden's Wallenberg industrial empire, is poised to go ahead with the long-anticipated flotation of Scania, the world's fifth largest heavy truckmaker estimated to be worth up to SKr30bn (\$4.2bn). An announcement appears likely as early as today when Investor publishes its 1995 results after a meeting in Stockholm of the group's board, chaired by Mr Peter Wallenberg, the family

Wallenberg investment arm to sell 65% of Swedish truckmaker

patriarch, Investor, which first signalled its intention to float a majority of Scania a year ago, has said it will sell about 65 per cent of the company which it has wholly owned since 1991. The flotation is set to be one of the biggest by a Swedish company, exceeding the recent series of privatisation issues and an unprecedented SKr7.8bn rights issue last year by Ericsson, the telecommunications group. Investor has acknowledged it missed out on a chance to maximise its returns from a Scania flotation last year when the truck sector was booming. But it preferred to wait while Scania brought to market an important new truck series launched last October which won the European truck of the year award. Since then, demand for trucks

has flattened and there are worries about economic developments in Europe, Scania's main market. The board will have to weigh those factors as it makes its final decision. But a recent upturn in cyclical stocks and Investor's belief that truck demand in Europe will remain strong are expected to be decisive arguments in favour of going ahead soon.

son, Electrolux, SKF and Stora - significantly added resources to continue the process.

The flotation is also designed to help Investor overcome the habitual heavy discount to net asset value its shares have suffered because of its complex structure, which groups companies in widely different sectors. However, Investor will remain the dominant shareholder in

Continued on Page 14 Demand sputters, Page 13 Lex, Page 14

Dispute over drugs delays move to scrapping EU borders

By Ronald van de Krol in Amsterdam and David Buchan in Paris

The Schengen agreement on a border-free European Union was dealt a further blow yesterday when a five-nation "drugs summit" was postponed because of a continuing clash between the Netherlands and France.

France claims that the Netherlands' liberal policies on the availability of "soft" drugs has made the country a conduit for drugs into the rest of Europe - a particular target is the Netherlands' practice of allowing sales of small quantities of marijuana at coffee shops.

France, a member of the Schengen "club", cited the dangers of drugs and terrorism as its reason for refusing to join the other six - Germany, the Netherlands, Spain, Portugal, Luxembourg and Belgium - in dismantling all border checks on travellers between the countries last year.

The decision to postpone the summit, pencilled in for March 7, was taken at a meeting in The Hague this week between Dutch and French civil servants on drugs trafficking. French officials said yesterday there was currently "no prospect of the sort of concrete achievement expected of a summit".

The countries have made progress in agreeing practical measures to promote co-operation in fighting the drugs trade. But they admitted yesterday that "a number of other important questions" had to be explored further before the leaders of the Netherlands, France, Belgium, Luxembourg and Germany could meet.

The postponement comes a week after a diplomatic row between Belgium and Spain over a Belgian court decision to release two alleged Basque terrorists prompted Spain to suspend co-operation with Belgium over extradition.

France may be reluctant fully to implement the Schengen accord - named after the Luxembourg town where the agreement was negotiated - even if the drugs dispute with the Netherlands is solved. An official said France's refusal fully to implement Schengen was also based on other factors, such as "the terrorist threat in France which we do not believe has totally vanished".

Mr Hans van Mierlo, Dutch foreign minister, said the postponement was a "sensible" decision, adding that a meeting at ministerial level might be possible.

Since the 1970s, the Netherlands has differentiated between hard and soft drugs, and has tended to treat drug addicts as patients, not criminals. The Dutch have argued that, by tolerating controlled sales of small quantities of soft drugs, users will not be forced into contact with hard-drug pushers.

A Dutch government white paper recently proposed slightly more restrictive drug policies - lowering the limit on coffee-shop purchases from 30g to 10g per customer, and roughly halving the number of coffee shops to 600. It also proposed taking a more benign view of small-scale home cultivation of marijuana.

Piracy dispute prompts retaliatory words to US over \$1bn trade threat

China warns against sanctions

By Guy de Jonquieres and Peter Montagnon in London

China said yesterday it would retaliate strongly if the US carried out its threat to impose \$1bn of trade sanctions on Chinese exports over a dispute about the piracy of computer and entertainment software.

"If the negotiation breaks down and the US takes unilateral retaliatory measures we also have to do something," Ms Wu Yi, China's foreign trade minister, said. "If they impose sanctions on \$1bn worth of Chinese products we will have to come up with a list of over \$1bn worth of products for retaliation."

Ms Wu, who is on a trade mission to Britain, said economic relations with the UK were set to improve now that the two countries had overcome differences over the handover of Hong Kong to Beijing next year.

She saw "enormous" potential for expanding trade and investment with the UK, if good bilateral relations over Hong Kong were maintained. Any political setback "would inevitably have an impact on trade and economic co-operation".

Ms Wu also warned that the US would suffer damaging economic consequences if Congress failed this summer to renew China's Most Favoured Nation trade status which expires in June - a step which would sharply increase tariffs on China's exports to the US.

She hinted that Beijing might respond by penalising US companies' operations in China. "The US has invested \$8.4bn in 18,000 projects in China, so if MFN treatment was revoked, the US



Wu Yi: the US would suffer damaging economic consequences if it did not renew China's Most Favoured Nation status. Picture: Ashley Ashwood

interest would also be damaged," she said. Ms Wu hoped action by the Clinton administration and Beijing, and efforts by the US, Chinese and Hong Kong business communities would secure MFN renewal. However, she said Beijing was "also prepared for the worst".

"If the US side indeed revoked China's MFN treatment, I don't

think China would be the only victim," she said. "The US would also have to suffer." The US has accused China of failing to implement a bilateral agreement last year which committed Beijing to end rampant piracy of compact discs and other violations of intellectual property rights.

Washington, which recently sent a team of trade negotiators to Beijing to discuss the issue,

says more pirated CDs are being produced in China than before the agreement was signed. Mr Mickey Kantor, US trade representative, has threatened China with more than \$1bn of trade sanctions if it fails to act effectively.

Ms Wu said yesterday that Beijing had taken sweeping measures to crack down on copyright piracy, and was being blamed for

only a few violations. It was impossible, even in industrialised countries, to end all violations in a short period of time. She hoped the dispute could be settled through negotiation. But if the US imposed trade sanctions, it would not encourage China to co-operate in enforcing the copyright agreement.

China refuses to kow-tow, Page 4

P&G to cut prices in Europe's markets after US success

By Roderick Oram, in London

Procter & Gamble yesterday signalled a new low-pricing strategy across Europe to fight competition from discounters and supermarkets' own brands on detergents and other products.

The prospect of a price war unsettled share prices in London. Unilever, maker of Persil detergents, was down 1.3 per cent to £12.75 (\$19.55) after more than matching a P&G price cut on dishwashing liquid in London.

P&G hopes to repeat the US success of its switch to "every day low pricing" four years ago. It increased sales by keeping prices steady instead of introducing frequent discounts and other promotions.

"It's been a huge success for P&G in controlling the growth of private label," a New York analyst said. "But they have had to dig deep on costs." P&G has closed dozens of plants and shed thousands of employees around the world in recent years. "Branded goods makers have to make themselves more competitive against discounters and private labels," a Brussels-based executive of P&G Europe said. P&G had increased pressure on competitors in the UK, Belgium

and Germany to cut prices and other countries were likely to follow, a London analyst said.

The strategy is also being pursued by former P&G employees. Mr Ed Ariz, who retired as P&G's chairman last year, has joined Barilla, the Italian pasta maker. He said that Barilla was able to cut prices by 12 per cent if it discontinued price promotions.

The company would not say which categories might get the price reductions but said it would look at applying it wherever products are under heavy promotional pressure.

A competing UK manufacturer said P&G's recent price cut on dishwashing liquid was a response to inroads from own-label products. P&G's market share fell from 52 per cent to 48 per cent last year. Across the UK detergents market, own-label products increased their share from 14 per cent to 19 per cent in the past four years.

Tevo, the UK's biggest grocery retailer, said P&G's cut had not had any impact on sales and its own-label product remained cheaper. But hinted it might cut own-label prices in response to further moves by P&G. The new strategy will test

Continued on Page 14

Standard Corporate \$40,000,000 Management Buy Out from Sanofi Led and arranged by HSBC Private Equity	INCO £50,000,000 Management Buy Out from Securum Led and arranged by HSBC Private Equity	Galaber £173,500,000 Management Buy Out from Galaber Co-ordinated and jointly led by HSBC Private Equity
Verdon £11,400,000 Management Buy Out from Verdon Led and arranged by HSBC Private Equity	Rodoviera de Lisboa £10,100,000 Joint Venture in support of Rodoviera de Lisboa Institutional equity arranged by HSBC Private Equity	De-listing IRE£11,900,000 De-listing from The Dublin Stock Exchange Led and arranged by HSBC Private Equity
Melville Group £13,000,000 Management Buy Out from Melville Group Led and arranged by HSBC Private Equity	Bank American Insurance Group Management Buy Out from Bank American Insurance Group Led and arranged by HSBC Private Equity	Keltico IRE£21,000,000 Management Buy Out from Keltico Underwritten and Co-led by HSBC Private Equity

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NEWS: EUROPE

Five-nation 'drugs summit' postponed as France and Netherlands clash over policy

EU open borders pact dealt new blow

By Ronald van de Krol in Amsterdam and David Buchan in Paris

The Schengen agreement on a Europe of open borders was dealt a further blow yesterday when a five-nation "drugs summit" was postponed because of a continuing clash between the Netherlands and France. France claims that liberal Dutch policies on the availability of "soft" drugs has made the Netherlands a conduit for drugs into the rest of Europe - a particular target is the practice of condoning sales of small quantities of marijuana at coffee shops.

The decision to postpone the summit, pencilled in for March 7, was taken at a meeting in The Hague this week between Dutch and French civil servants on drugs trafficking. French officials said yesterday there was currently "no prospect of the sort of concrete achievement expected of a summit".

The countries have made progress in agreeing practical measures to promote co-operation in fighting the drugs trade.

But they admitted yesterday that "a number of other important questions" had to be explored further before the leaders of the Netherlands, France, Belgium, Luxembourg and Germany could meet. The postponement comes a week after a diplomatic row between Belgium and Spain over a Belgian court decision to release two alleged Basque terrorists prompted Madrid to suspend compliance with the extradition clauses of the Schengen agreement.

France might be reluctant to implement the Schengen accord fully even if the drugs dispute with the Netherlands was solved. An official said yesterday suspension of Schengen rested on other factors, such as "the terrorist threat in France which we do not believe has totally vanished".

Mr Hans van Mierlo, the Dutch foreign minister, said the postponement was a "sensible" decision, adding that a meeting at ministerial level might be possible later this year.

One idea, expected to be put into practice later in 1996, is the creation of experimental Franco-Dutch teams to check ships for drugs in Marseilles and Rotterdam. Since the 1970s, the

Netherlands has differentiated between hard and soft drugs, and has tended to treat drug addicts as patients, not criminals. The Dutch have argued that, by tolerating controlled sales of small quantities of soft drugs, users will not be forced into contact with hard-drug pushers.

A Dutch government white paper recently proposed slightly more restrictive drugs policies - lowering the limit on coffee-shop purchases from 30g to 5g per customer, and roughly halving the number of coffee shops to 600.

But it also proposed taking a more benign view of small-scale home cultivation of marijuana.

EUROPEAN NEWS DIGEST

MEPs vote for TV quotas

The European parliament yesterday voted in favour of controversial proposals which would force European broadcasters to screen a quota of European-made programmes. The vote was immediately condemned by the media industry which had fiercely resisted the proposed amendments to the "television without frontiers" broadcasting directive. The vote also sets the scene for a protracted row between the parliament and national governments which have opposed tighter limits on broadcasting content.

The parliament voted by 292 to 195 for a host of proposals which would legally oblige general content television channels to screen at least 51 per cent European-made programmes, a quota presently applied flexibly. MEPs also voted to introduce quotas on new "superhighway" services such as video on demand. MEPs backed most of the amendments tabled by the parliament's cultural committee. These included extending the rules on advertising to tele-shopping and imposing restrictions on advertising breaks. They also voted to make mandatory the installation of a "V-chip" in television sets which would enable parents to block violent programmes. The parliament's proposals will now be scrutinised by the Council of Ministers and Commission after which the parliament will vote on the issue again.

German banks investigated

Prosecutors in Germany are investigating a large number of German banks which are suspected of violating money-laundering laws. The Munich public prosecutors office said. It said there was evidence that many German banks had converted drug-trafficking proceeds denominated in foreign currencies into marks without conducting proper checks. However, the prosecutors office did not name any banks. The investigation, running for over a year, is also examining charges that bank staff accepted bribes in the form of gifts or cash for handling the transactions. Strict German money laundering laws demand that banks take particular care in accepting large deposits from customers they do not already know.

EU warns Austria over accounts

The European Commission yesterday caused a political storm in Austria when it warned the Vienna government that it must abolish all anonymous savings accounts. Earlier this week, Mr Viktor Klima, the finance minister announced Austria will abolish anonymous securities accounts in mid-year, but will still allow Austrians to keep the popular anonymous savings accounts. This compromise was sharply criticised by the Commission, which argued in a letter that anonymous savings accounts also violate EU guidelines against money laundering. The Commission is also critical of the government's plan to phase out existing anonymous securities accounts over a long period of time. Mr Klima rejected the Commission's arguments and said the government will fight for this 200-year-old savings instrument until the very end.

Italian telephone row resolved

The Italian communications ministry yesterday resolved a row between the two rival companies competing for the cellular phone market which had threatened the accord governing the GSM digital network. Telecom Italia Mobile (TIM), the state sector operator, agreed to provide the private Omnitel Pronto Italia with so-called "roaming" allowing Omnitel temporary use of its own network, from March 12. TIM refused to provide "roaming" on Tuesday, the original date stipulated, because it said Omnitel's network did not yet cover 40 per cent of the country, a condition of the accord. TIM declined to comment last night. Omnitel insisted that its network now covered 43 per cent of the land.

Fall in German GDP likely

German economic output is likely to decline in the current quarter, according to one of the country's leading economic research institutes. The Berlin-based DIW forecast that GDP would fall in seasonally adjusted real terms by about 1 per cent compared with the final three months of last year. It predicted a 0.5 per cent decline in GDP compared with the first 1995 quarter, with output falling by 1 per cent in western Germany against a rise in eastern German GDP of about 3 per cent.

Spanish jurist shot dead

One of Spain's top jurists was shot dead in his office on a university campus yesterday in an escalating terrorist campaign coinciding with the run-up to the country's general election on March 3. Police said they were looking for a member of a Madrid unit of the Basque separatist organisation Eta. Mr Francisco Tomás y Valiente, 63, a former president of the Constitutional Court, the highest court in Spain's legal system, was shot by a gunman as he was preparing for a class at the university, where he was professor of the history of law. It was the second interruption in the campaign, following the killing last week in San Sebastian of Mr Fernando Múgica, a prominent Socialist figure in the Basque country and brother of former justice minister Enrique Múgica, one of the Socialist party's chief candidates in the region.

EU aid to ailing shipyard

The European Union approved a DM220m (\$155m) loan guarantee made to troubled German shipyard Bremer Vulkan, a spokesman said yesterday. Concern had been growing in Germany that the Commission would use its powers to veto the aid which is considered vital for keeping Germany's biggest shipyard afloat.

Swedish groups endorse Emu

The confederation of Swedish industries, which includes the country's phalanx of big international manufacturers such as Volvo, Electrolux and Ericsson, yesterday strongly endorsed European Monetary Union and urged the Social Democratic government to ensure Sweden qualified to participate. "Emu is an essential part of future European co-operation. A strong economic and monetary union with a strong euro is good for Europe and good for Sweden," the confederation said in a statement issued by its board, which groups senior executives and owners, including Mr Peter Wallenberg, head of the powerful Wallenberg sphere of blue-chip companies.

UN prosecutor targets Bosnian Moslems

By Bruce Clark, Diplomatic Correspondent

The United Nations war crimes prosecutor, Judge Richard Goldstone, faced with furious Serbian allegations of bias, said yesterday that he expected to indict some Bosnian Moslems in the next few weeks.

In a statement aimed at calming tempers in the region, Judge Goldstone said a probe into alleged "Muslim" war crimes was "reaching finality". He also insisted that he welcomed information from all sources - including those in Serbia, where his investigators had applied unsuccessfully to open an office.

The statement drew a warm welcome from senior western officials who have expressed fear that controversy over war crimes could wreck the Bosnian peace process.

In Belgrade and Serb-held Bosnia, however, there was continuing anger over this week's deportation of two senior Bosnian Serb officers to face questioning by the war crimes tribunal in The Hague. Mr Zoran Ljilic, president of the rump Yugoslav state which consists of Serbia and Montenegro, accused the tribunal of making "biased and one-sided moves".

So far the court has indicted 52 people - 45 Serbs, including the main Bosnian Serb leaders, Mr Radovan Karadzic and General Ratko Mladic - and seven Croats.

This week's deportation of two Serb officers to The Hague was widely believed to have been part of a deal brokered by Mr Richard Holbrooke, the US envoy, by which the Bosnian government would refrain in future from "unilateral" arrests of war crimes suspects without the UN court's approval.

Mr Holbrooke, about to retire as assistant secretary of state, paid a farewell visit to London yesterday, mending fences after an US-UK dispute over Balkans policy.

Britain had reacted furiously to a claim by Mr Holbrooke that the Europeans had "slept through the night" during a recent naval showdown between Greece and Turkey in the Aegean. However, differences of emphasis between Britain and the US over Greek-Turkish issues emerged yesterday when Mr Malcolm Rifkind, UK foreign secretary, backed Turkey's demand for direct talks with Athens on outstanding issues.

Mr Rifkind also distanced himself from a statement by the European Commission which expressed solidarity with EU member Greece. He said that the Aegean dispute was not the direct concern of EU institutions.

He was speaking after talks yesterday with Mr Deniz Baykal, Turkish foreign minister, who reiterated the demand for bilateral talks, saying: "We hope to start a new era, a new phase in which we will be able to negotiate the difficulties we are having."

The US, in a position closer to that of Greece, has suggested referring outstanding disputes to the International Court of Justice in The Hague or some other legal arbitration. This proposal has met a cool reception in Turkey.

Asked about the US proposal for arbitration, Mr Baykal said bilateral talks should take priority. "I think these problems should be tackled between the two countries directly... if possible we should begin to solve the issues together before referring it to any consensual body," he said.

Mr Rifkind's support for bilateral talks and his statement that "the European Union does not take a position with regard to territorial disputes" should guarantee him a stormy reception when he visits Athens next week.



US special envoy Richard Holbrooke (right) in London yesterday with British defence secretary Michael Portillo. Mr Holbrooke discussed the Balkans and the Aegean with UK officials

Italy awaits decision on poll

By Robert Graham in Rome

President Oscar Luigi Scalfaro yesterday refused to be hurried into a decision on dissolving parliament following the failure of Mr Antonio Maccanico to form a broad-based government pledged to reform the Italian constitution.

The head of state has long resisted holding early elections on the grounds that a poll without electoral reforms and stringent rules on fair media coverage would create more problems than it solved. He has also sought to avoid a political upheaval during the six-month Italian presidency of the European Union that ends in June.

But yesterday the president was under strong pressure from the centre-left alliance to opt for an early general election as Mr Maccanico formally renounced his role as prime minister-designate after 13 days. The earliest possible date would be in April.

In contrast the right-wing alliance, headed by former prime minister Silvio Berlusconi, was trying to drum up support for the establishment of a constituent assembly with the task of redrawing the Constitution. This idea has been endorsed in the past by the populist Northern League of Mr Umberto Bossi. If the League were to back the move proposed by Mr Berlusconi, there would be an ample majority in parliament. The uncertainties surrounding these conflicting pressures saw the lira fall against all major currencies.

The lira lost nearly 1.5 per cent against the D-Mark yesterday, closing at 11,075. Stocks on the Milan bourse also reflected the political confusion, falling 3 per cent.

President Scalfaro will now carry out a series of consultations, allowing himself several days before he makes up his mind. Even if there is a parliamentary majority in favour of a constituent assembly, he is unlikely to ignore the objections of the centre-left, in particular those of the Party of the Democratic Left (PDS).

Portugal set to move out of its 'dark age'

By Peter Wise in Lisbon

Portugal is widely expected to abandon Central European Time this year and move its clocks back by an hour to the same time as the UK and Ireland after four years of aligning with the rest of western Europe.

The change would end what is popularly denounced as the "dark age" that makes most of the country travel to work and school before dawn in winter.

John Simkins on a scheme to inject new capital into Italy's opera houses

By Peter Wise in Lisbon

Mr Antonio Guterres, the prime minister, said yesterday there was a strong movement in favour of change. Portugal's national time commission, a group of scientific experts appointed by central and regional government, was last night expected to deliver a formal recommendation backing the move, to the centre-left government.

Mr Guterres said that if the government opted for change, Portugal would rejoin Greenwich Mean Time by not moving its clocks forward this spring or by moving them back two hours in the autumn.

Maccanico: failed to secure office after 13 days of trying

Majority in parliament. The uncertainties surrounding these conflicting pressures saw the lira fall against all major currencies. The lira lost nearly 1.5 per cent against the D-Mark yesterday, closing at 11,075. Stocks on the Milan bourse also reflected the political confusion, falling 3 per cent. President Scalfaro will now carry out a series of consultations, allowing himself several days before he makes up his mind. Even if there is a parliamentary majority in favour of a constituent assembly, he is unlikely to ignore the objections of the centre-left, in particular those of the Party of the Democratic Left (PDS).

La Scala prepares to change its tune

La Scala and the Milan city authorities have given the formal go-ahead to a plan to take over the running of the famous opera house. The aim is to inject new capital and avoid the contractual disputes which have often threatened to paralyse it.

Since the end of last year La Scala has been examining a government proposal, included in the national budget, which provides for the country's 13 state-run opera houses - La Scala among them - to transform themselves into private institutions run by non-profit foundations under the control of the Treasury.

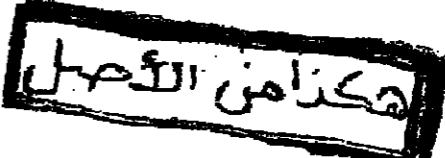
The old system has created conflict between La Scala and its personnel, including a strike threat recently by musicians and stagehands

Senior representatives of the authorities seeking to set up a foundation for La Scala met this week and confirmed their intention to pursue the plan and set up a committee to report to the Treasury within a month. The government has until June to study proposals for opera house foundations.

Among those at the meeting was Mr Marco Formentini, who, as mayor of Milan, is chairman of La Scala's board, and Mr Giuseppe Vimercati, vice-chairman of the foundation controlling Cariplo, the big Milan savings bank whose headquarters is opposite La Scala and which would take a leading role in injecting capital. La Scala does not threaten the first night of the current season although settlement of a national musicians' contract, and then La Scala's contract with its own orchestra, finally allowed the performance of Mozart's "Magic Flute", conducted by Riccardo Muti, to go ahead.

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هذه امته لوط

South Africa to cut work hours to create jobs



By Roger Matthews in Cape Town

The South African government yesterday proposed sweeping changes to basic conditions of employment aimed at reducing working hours, extending protection to more workers, enforcing higher payments for overtime and improving conditions for women. But it stopped short of seeking to impose a national minimum wage.

Jobs and greater flexibility in the workplace in order to reduce the 33 per cent unemployment rate. Employers' organisations said several of the proposals would sharply increase costs, but wanted more time to study them before making a detailed response. Trade unions can also be expected to seek improvements when the proposals are debated by the National Economic Development and Labour Council which groups government, labour and employers.

currently working up to 48 hours, while security staff employed in one of the country's biggest growth industries would have their average working week slashed from 60 hours to 48.

working conditions for women include the right to four months' maternity leave with security of employment and the right to alternative work during pregnancy.

ing, which is viewed by the mining sector as critical to the survival of many marginal mines. However, Sunday working would be paid at double time.

INTERNATIONAL NEWS DIGEST

Oilmen face death threat

Algeria's Islamic extremists have warned the country's oil and gas workers to stop work or face death, according to communiques published by London-based Arab dailies yesterday. The threat marks the first time the Armed Islamic Group (GIA) has singled out the oil and gas industry, generator of more than 90 per cent of the country's foreign exchange revenues. It comes at a time of increased western interest in the sector. Nearly \$4.5bn of oil and gas contracts have been signed with foreign companies since December, including a \$3.5bn deal for the development of southern oil fields with British Petroleum. An oil enhancement recovery contract with the US's Atlantic Richfield is expected to be announced soon.

Doubts surround Iraq oil talks
Iraq's oil-for-food talks at the United Nations yesterday continued into a second week amid conflicting reports about whether progress had been made. Mr Abdul Amir al Anbari, the Iraqi special envoy, appeared eager to put a positive spin on the discussions during a briefing for non-aligned members of the Security Council.

Zaire sabres fail to rattle exiles
Zaire's latest attempt to persuade Rwandan refugees to return home voluntarily looked in danger of foundering yesterday. The number of Hutus volunteering for repatriation from Kibumba camp - which was surrounded by Zairean troops and sealed off on Tuesday - failed to show any significant increase. Kibumba is the first of 43 settlements, holding more than 1m Hutus who fled the advance of the Tutsi-dominated Rwanda Patriotic Front in 1994, which the Zaireans intend to close.

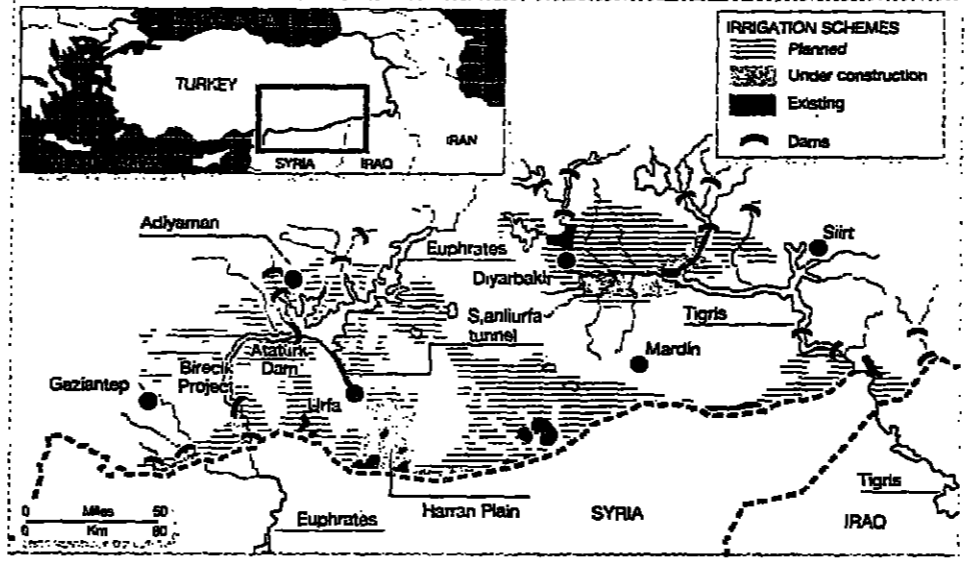
Euphrates power plant generates new tension

John Barham on a three-nation dispute over water

Syria and Turkey are divided by some of the world's most formidable border defences. Watchtowers, high barbed wire fences and minefields line the frontier. Radar and electronic eavesdropping systems probe into Syria from the Turkish side.

increased, prompting Turkey to reinforce its army in Hatay, a province claimed by Syria. Ankara accuses Syria of increasing its support of the Kurdistan Workers party (PKK) in its 11-year separatist war in southeastern Turkey.

Harran plain. Each time, Syria and Iraq protested loudly. In December, when Turkey announced it would build Birecik, they accused it of polluting the Euphrates and reducing water flows.



Gür said "banning terrorism [against Israel] is not enough. We urge the Israelis to discuss the question of terrorism as a whole." "Israel is not very interested in PKK terrorism," he complained.

The two countries are old enemies: their 30-year quarrel over the waters of the Euphrates river is among the Middle East's most enduring disputes. Now, tension along the border is rising again as Turkey begins work on the \$720m Birecik hydroelectric dam on the Euphrates. The dam is part of its Southeastern Anatolian Project (GAP), a vast irrigation and hydroelectric scheme that uses water from the Euphrates and the Tigris.

Syria and Iraq, which both rely on the rivers for their water supplies, have urged companies working on Birecik to pull out. "We may take action against the companies which are building this dam. If necessary, we may take action against Turkey," said Mr Abdul-Sattar Salman, under-secretary at Iraq's irrigation ministry.

Turkish officials shrug off Arab protests. "Harran needs to be irrigated. Even after [completing] all the irrigation projects there will be enough water for Syria," said Mr Gür, head of the foreign ministry's Middle East department. He accused Syria of "wasting" water, adding that it "should be grateful" to Turkey for regulating the Euphrates' flow, preventing seasonal floods.

He said that the companies, which include Germany's Philipp Holzmann, Alcatel-Alsthom of France and Turkish contractor Gama, could be shut out of future projects in Iraq and Syria and perhaps in other Arab countries.

Syria and Iraq are warning companies involved in the project to pull out or face unspecified sanctions.

Mr Gür said Turkey had kept its promise made in 1987 to maintain an average flow of 500 cubic metres per second on the Euphrates. Yet Syria complains that Turkey interrupts flows, causing power cuts and disrupting agriculture. It demands a treaty enshrining Turkey's 1987 promise. Ankara says Syria must first stop supporting the PKK, adding that a treaty should be based on a scientific assessment of each country's needs.

looks to the US. "The Turks will negotiate if the Syrians stop threatening them with PKK terrorism, but only the Americans can convince the Syrians to do so."

But Mr Temel Iskit, a senior Turkish foreign ministry official, said: "Turkey cannot arbitrarily give water to Syria just because of the Middle East peace process." However, Turkey wants Israel to force Syria to abandon the PKK as well as radical anti-Israel groups. Mr

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Simex officials 'referred clients to trusted Leeson'

By Nicholas Denton

Simex, the Singapore futures exchange, was so trusting of Mr Nick Leeson that it referred clients to the now jailed Barings trader, according to his account of the UK merchant bank's collapse.

bank with \$830m (£540m) in losses. There is no suggestion of any impropriety on the part of Simex officials, but Mr Leeson's disclosure is acutely embarrassing. It is an example of the clout Mr Leeson had on Simex, which made the exchange slow to pick up on his dealings.

introduced Mr Philippe Bonnefoy of European Bank & Trust, a hedge fund based in the Bahamas. Mr Leeson used Mr Bonnefoy's fund as a front, allaying the suspicions of his superiors by disguising his own unauthorised trading activity as being on behalf of Mr Bonnefoy.

suffered losses. Simex officials did not discover that the trading was fictitious, although they knew Mr Bonnefoy were aware of the existence of the \$8888 account which Mr Leeson hid from Barings, and that it was showing huge losses.

Simex also allowed Mr Leeson to engage in trades called "crosses" which are frowned on in most futures exchanges. This was the device by which the Barings trader shuffled money around, creating fictitious profits in the accounts which his superiors saw, and hiding losses in his secret \$8888 account.

eral towards Barings. Simex, in strong competition with Japanese exchanges for business, gave Barings an award for volume in 1994. The report did not criticise any Simex officer by name and Mr Ang remains president of the exchange. Mr Ang was not available for comment. In December, Mr Leeson was sentenced to six months' jail for deceiving Barings' auditors and a further six years for "cheating" Simex.

In search of flexible labour - and votes

Employment policy divides Australia's parties more than any issue in general election, writes Nikki Tait

Policy differences between Australia's Labor government and the opposition Liberal-National coalition are hard to spot in the country's closely fought general election campaign. One exception is industrial relations.

On one side, Labor claims to have introduced enough labour market flexibility to allow industry to compete internationally. On the other, the coalition says it can give businesses more leeway without endangering workers' basic safeguards.

But the new system was superimposed on the old award structure, making for complexity. It was also enacted after tough negotiations with the unions.

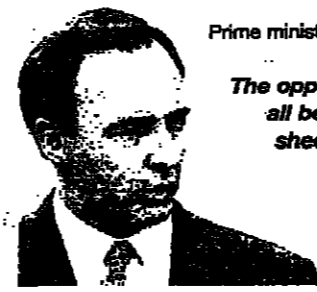
One consequence was that every enterprise deal has to be scrutinised by the Australian Industrial Relations Commission and union representatives are entitled to make submissions during this vetting procedure, regardless of whether employees chose to have them involved. In a number of cases over the past three years, workers have been willing to accept an employer's conditions only to see union objections stall the process.

The opposition believes its proposed changes would help do that. Its leader, Mr John Howard, has a reputation as a staunch advocate of labour market reform, but one of the coalition's aims in this election has been to avoid frightening voters, so it has packaged its policies with care.

Mr Howard has promised to maintain the award safety net and the AIRC. But it would no longer be asked to vet the new type of enterprise-based agreements.

Nonetheless, Labor and the unions view them as a means of dismantling workers' protection by stealth. Among other things, they say the workplace agreements would amount to individual contracts.

Industrial relations: who will the voters believe?



Prime minister Paul Keating

The opposition "have all been wolves in sheep's clothing, always on industrial relations"

Government policy

- Management and workers encouraged to negotiate pay and conditions at company level.
- Subsequent enterprise flexibility agreements (EFAs) scrutinised by the Australian Industrial Relations Commission (AIRC), applying a "no disadvantage" test which uses federal awards as the benchmark. Union representatives allowed to comment during this process, but with no right to veto agreements.
- Workers unable to negotiate wage rises through an enterprise agreement can receive "safety net" wage adjustments through the award system.
- In disputes, onus is on the individual parties to reach a solution. AIRC's main role is to provide conciliation, although, in last resort, it can arbitrate.



Opposition leader John Howard

"I give you the rock-hard guarantee - our policy will not cut your take-home pay"

Opposition policy

- Management and workers encouraged to negotiate Australian Workplace Agreements (AWA) at company level. Existing enterprise flexibility agreements (EFAs) stay in force until their expiry. AWAs required to meet 10 community standards, including that take-home pay is no less than that prescribed under relevant award.
- All AWAs to be filed with Employment Advocate, a new body with nationwide offices. EA to "assist" employees with grievances and provide advice on legal rights. EA to take action on behalf of employees who believe they are disadvantaged compared to relevant award.
- Unions have no right to intervene unless asked, and cannot be party to signing of AWAs.
- Workers given choice of remaining with relevant award.
- Each AWA required to specify dispute resolution mechanism.
- Sanctions against secondary boycotts - industrial action against an employer who is not the workers' direct employer - to be toughened. Unfair dismissal provisions to be repealed and replaced by a "system which provides a fair go all round". Details unspecified.

ASIA-PACIFIC NEWS DIGEST

Manila blast weakens peso

The Philippine central bank spent more than \$100m (\$66.6m) yesterday to defend the peso in the wake of a bomb attack which hurt four people in Manila's central business district. Foreign exchange dealers said the peso, which lost 6.5 centavos to close at 26.22 to the dollar, would probably steady in the next two days. Three grenades were thrown from a car at Citibank towers and at Filipinas Shell headquarters, the Anglo-Dutch oil company. The police had not identified those responsible. President Fidel Ramos, who was in a hotel adjacent to the buildings targeted by the bombers yesterday, dismissed fears the attack could mark the start of a wider terrorist campaign.

Sri Lankan schools closed

Schools in Sri Lanka are to be shut indefinitely, amid fears of Tamil guerrilla attacks against students, the government said yesterday. The education ministry asked parents and teachers to work out security arrangements with local police before deciding to re-open. Defence officials said they feared the separatist Liberation Tigers of Tamil Eelam may target children to provoke a riot. Security forces destroyed one of the largest Tiger arms shipments in recent times in an operation off the island's north-eastern coast. The air force deployed six helicopter gun ships and ground-attack aircraft to sink a medium-sized Tiger cargo ship and five smaller boats used by the rebels to ferry weapons ashore.

N Korean asylum seeker kills 3

An armed North Korean man yesterday broke into Russia's trade mission in Pyongyang, killing three guards before asking for political asylum, according to Russian news agencies. A Russian foreign ministry spokesman told Interfax the Moscow government would consider the request and negotiations with North Korea are continuing. The unidentified man, holed up on the embassy compound, has threatened suicide, the official Itar-Tass agency reported from Pyongyang. The man apparently scaled a six fence and engaged North Korean guards in a gun fight. During the Soviet period, asylum-seekers were always returned to North Korea, then a close Kremlin ally in east Asia. *Manthaw Kaminski, Moscow*

Chinese population growth slows

The annual rate of increase of China's population between 1990 and 1995 stood at 12.1 per thousand, falling "markedly" over the previous five-year period, a report released yesterday said. The state statistical bureau report, based on a census of 1 per cent of the population in October 1995, put population of China at 1.207bn, up by 74.1m or 6.54 per thousand since July 1990, when the last such survey was carried out. In 1995, some 20.63m people were born and 7.92m died in China, for respective birth and death rates of 17.12 per thousand and 6.57 per thousand, giving a net population increase of 12.71m people, down by 650,000 over 1994. The report said.

Since the early 1980s, China has implemented a draconian family planning policy to slow population growth, limiting the number of children allowed to urban couples to one, while restricting most rural couples to two. The survey found the so-called "one-child" policy had reduced the average family nationwide to 3.7, down by 0.3 since 1990. *AFP, Beijing*

Keating puts republic issue on poll agenda

By Nikki Tait in Melbourne

Mr Paul Keating, Australia's prime minister, yesterday put the "republic" issue, the question of whether Australia should cut its constitutional ties to the British monarchy, on the federal election agenda, as he formally launched the Labor party's campaign in Melbourne.

their country's head of state. At present, the British monarch fills this role. The vote would have no binding consequences, but if the result was affirmative, the government would draw up a constitutional amendment which could be put to a referendum. "We believe that Australia's head of state should be one of us," the prime minister declared yesterday to applause from party members.

long reflective campaign speech. He made few new promises but recapped his government's record over the past three years, arguing Australia's future depended on a decisive push into the east Asian region and a grasp of the opportunities stemming from the "information revolution."

matively into material benefits, or a greater sense of security among many Australians. But he argued this was not a reason to throw out policies, but "for listening harder and doing better."

and Western Australia. Mr Keating, for one, upped the tempo during a recent visit to Perth. "They've all been wolves in sheep's clothing, always on industrial relations," he said of the coalition leaders, maintaining that a soft pre-election tack tended to turn into tough legislation.

Central banker tries to dampen expectations of further rate rises

Long-term credit rates up in Japan

By William Dawkins in Tokyo

Japanese companies' cost of long-term borrowing rose yesterday for the second time in two months, a consequence of the capital market's belief that a domestic economic recovery is under way.

market expectations that the Bank of Japan would allow rates to rise further. He repeated his view that the economy is recovering, but plans to maintain an easy monetary policy to reinforce the upturn.

In line with past practice, the IBJ has increased the rate whenever the gap between the coupon and market on its own five-year debentures exceeds 0.2 percentage points, pointing to a clear upward trend for long-term rates.

This followed a lead set a day earlier by Industrial Bank of Japan, the leading long-term lender.

Yesterday's increase in the long-term prime brings it back to the level of last September, when the long-term rate dropped in two stages to 2.6 per cent, from which it started to rise again last month.

Long-term rates have been inching up on the market's belief that the Bank of Japan will eventually tighten monetary policy once the recovery gathers force.

Another glimmer of recovery emerged yesterday, when the Japan Department Stores Association announced sales of Tokyo department stores rose in January, by 3.6 per cent from the same month last year, for the first time in 47 months.

Hopes grow for pact on Spratlys

By Peter Montagnon, Asia Editor, in London

Expectations that China will ratify the UN law of the sea convention this summer hold out further hopes for defusing conflicting claims to sovereignty over the Spratly Islands in the South China sea, according to a senior Indonesian diplomat who has been acting as mediator.

of settling the issue of sovereignty could take years, he said.

The Spratly Islands straddle important shipping lanes and are thought to sit on large deposits of hydrocarbons. They became a focus of international tension last year after China and the Philippines clashed over installations on Mischief Reef, 130 nautical miles north of Manila. They are claimed by China, Taiwan, Philippines, Vietnam, Malaysia and Brunei.

Mr Djalal said the atmosphere had improved since China agreed last July to use the law of the sea to help settle differences, though it also said at the time that its sovereignty claim was indisputable.

However, tensions between China and Taiwan are now impeding progress, because of China's reluctance to allow Taiwan a free role in informal contact between claimants which are designed to

calm tensions. "This has ramifications for other claimants in the Spratly area," Mr Djalal said.

Once the law of the sea was applied, it might be easier to assess exactly what China was claiming and on what basis, he said. At present Beijing's claim is based on dotted lines on maps. "We don't know the exact position of the lines, much less their exact meaning," he said.

China has now satisfied Indonesia it does not have claims to the Natuna gas field being developed by Indonesia's Pertamina and Exxon of the US. Indonesia is thus able to continue its role as mediator in the dispute and will hold a further informal workshop with the claimants later this year. Jakarta also hopes to involve several Asian countries in a multi-lateral study of bio-diversity in the South China Sea.

Opposition leader expects more 'harassment' during today's poll

Bangladesh PM warns on boycott

By Mark Nicholson in Dhaka

Bangladesh's Prime Minister Khaleda Zia yesterday warned that leaders of the three main opposition parties leading a boycott of today's general elections face arrest if they continue "illegal" street protests against the government.

leaders, because they have taken the law into their own hands," she declared. "I will try to persuade them not to do this, or the law will have to take its course."

Sheikh Hasina, leader of the Awami League, the biggest opposition party, has apparently rejected the offer to resume talks to resolve the crisis, and has warned that protests will continue. She said this week she expected the government to "harass and arrest our workers" after the poll.

The three opposition parties called a 48-hour strike from yesterday; the government, braced for violence across the country today, has deployed troops to support 200,000 security personnel guarding 20,000 polling stations. Heavily armed soldiers yesterday stood at several sand-bagged posts at main junctions in Dhaka, where the strike call had reduced traffic to a light stream of pedestrians and

people into staying at home. Mrs Zia suggested a turnout of even 10 per cent would be adequate to give her government legitimacy, adding she fully expected some opposition MPs to be elected. "Those that oppose the BNP [Bangladesh National Party] will vote against the BNP, many will support the small, independent parties," she said. The BNP won 30 per cent of a 66 per cent turnout in 1991 elections.

The biggest of the opposition parties standing today won only 0.3 per cent of the 1991 vote. The three parties boycotting today's election won a combined 64 per cent five years ago.

The government claims more than 1,200 independents and candidates from 41 parties will contest the 251 seats at stake in today's poll, including more than 90 dissenting members of the BNP. The BNP, which has already won 49 seats uncontested, is fielding candidates in all constituencies.

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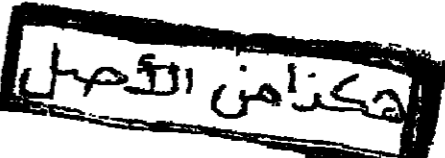
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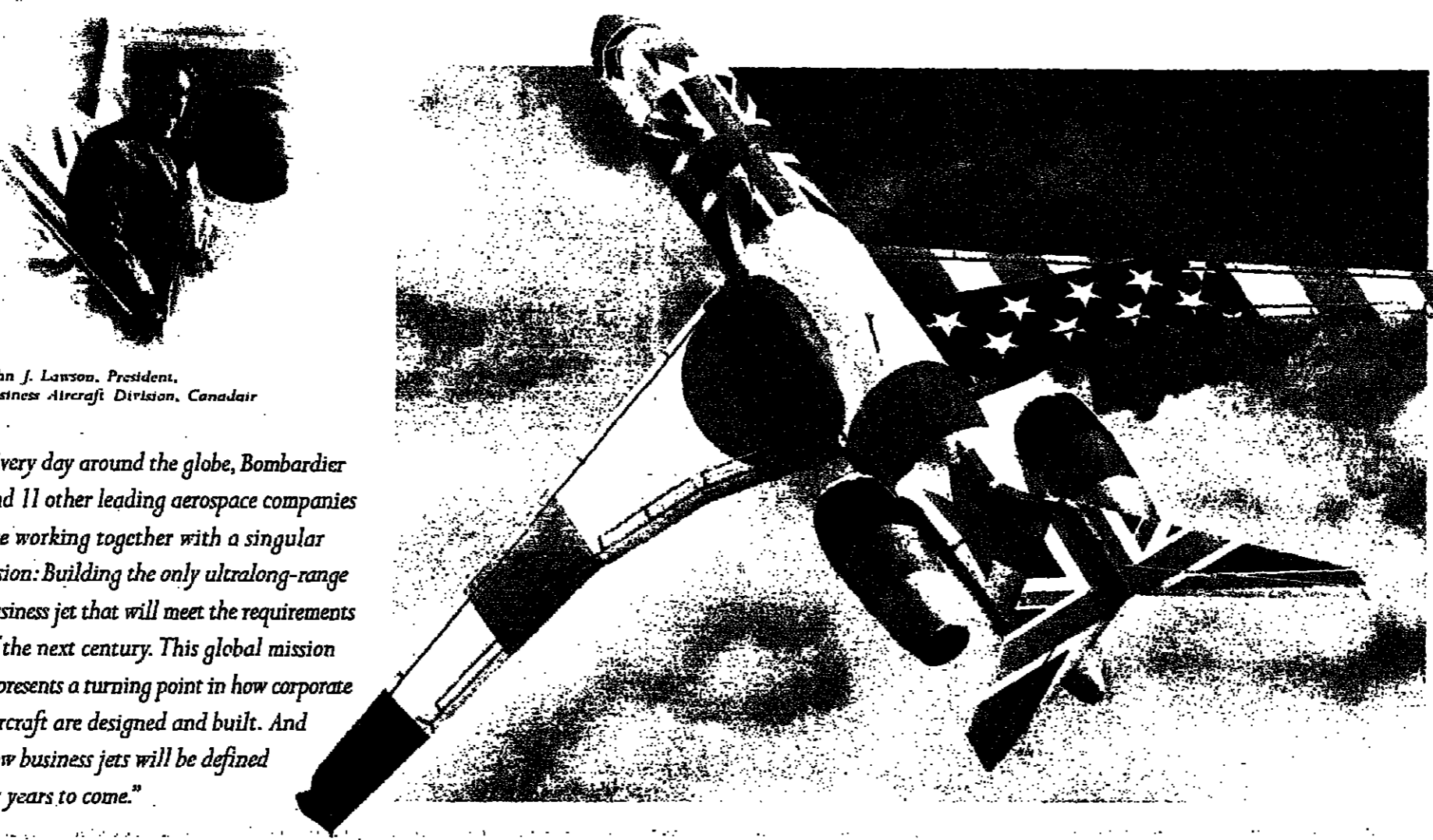


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Revised forecast for inflation and fall in unemployment ease fears of slowdown in economy

Bank report hints at rate cut

By Robert Chole,
Economics Editor

The Bank of England said yesterday that the government was back on course to hit its inflation target, reinforcing expectations of another cut in interest rates.

The Bank's comments, in its quarterly Inflation Report, came alongside official figures showing the biggest monthly drop in unemployment in January since the end of 1994 and the largest quarterly rise in factory employment for 17 years. These eased fears that the economy had weakened significantly at the turn of the year.

The Bank cut sharply its forecasts for price increases over most of the next two years. The report said that economic growth had been weaker last year than initial estimates suggested, improving

Unemployment dropped to its lowest level for almost five years last month, official figures showed yesterday, writes Graham Bowley in London.

The number of people out of work in the UK and claiming benefit fell by a seasonally adjusted 28,300 to 2,305,800 in January, the Central Statistical Office said.

This was the 29th consecutive monthly decline and the largest drop for 13 months. Unemployment is now at its lowest level since April 1991 and represents 7.9 per cent of the workforce - the first time the unemployment rate has been below 8 per cent since May 1991.

The better than expected figures wrongfooted the City, where most economists had

the outlook for inflation. It was now "a little more likely than not that inflation will be somewhat below 2.5 per cent in two years' time", the Bank predicted. The government's target is to achieve underlying inflation of 2.5 per cent or less from the spring of 1997. The report put the chances of hitting this target in two years at about 55 per cent.

"We think the chancellor

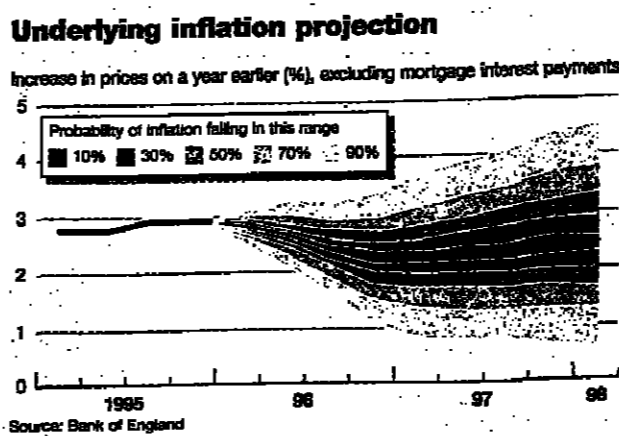
will be delighted with the Bank's report," said Mr Andrew Cates, at Swiss investment bank UBS. "He will take comfort from the Bank's lower inflation forecast and will probably press for another quarter point base rate reduction at next month's monetary meeting."

The report predicted that any further slowdown in the economy was likely to be temporary as companies cleared

shelves of unsold goods. Stronger consumer spending would lend the economy momentum later in the year.

However, the Bank cautioned that growth might turn out to be depressed for a more protracted period in 1996 if spending remained weak in UK export markets, especially France and Germany.

Yesterday's figures showed that, after adjusting for seasonal patterns, the number of



people without work and claiming social security benefits fell by 29,300 in January to 2,205,800. This took the proportion of the workforce unemployed below 8 per cent for the first time in almost five years.

Economists also took cheer from figures showing that average earnings growth was stable at 3.25 per cent in the year to December, posing little inflationary threat.

Mr Mervyn King, the Bank's

chief economist, said the forecast showed that the quarter-point cuts in base rates in December and January had been justified. But he warned that the report should not be seen as a "green light" for further significant rate cuts.

The Bank also argued that the recent cuts had made a further dent in the credibility of policy, increasing market expectations of inflation in the very long term.

Troops return to Ulster in wake of bomb

By John Kampfner in London, Stewart Dalby in Belfast and Caroline Southey in Strasbourg

The government yesterday ordered a Yorkshire-based battalion of the Royal Irish Regiment back to Northern Ireland in its first military response to Friday's IRA bombing in east London.

The decision to despatch the 500-strong battalion emerged against a background of rising hostility from Ulster Unionists to British and Irish attempts to forge a common approach to all-party peace negotiations.

Mr David Trimble, the Ulster Unionist leader, said he was concerned at what he suspected was a plan to water down the proposals. He said he was seeking a meeting to discuss the elections with Mr John Major next week.

The prime minister has made clear that although favouring elections he is prepared to look at all options, including Dublin's plans for Bosnia-style "proximity talks" in an effort to salvage the peace process.

The government is drawing up a consultation paper on the elections. The first draft envisages a body of 90 representatives who would meet only in exceptional circumstances, and would delegate negotiations into smaller groups.

Mr Trimble said: "While delighted that the government is sticking to the concept of an elected body, we are concerned at what appear to be attempts by Dublin to water it down so as to render the process meaningless."

Mr Jacques Santer, president of the European Commission, told the European parliament that the EU would not block Ecu 300m aid to Northern Ireland. But he said, "we cannot yield to terrorism".

The extra soldiers sent to Northern Ireland are due to arrive in the next 48 hours. They are expected to serve in the border counties of Armagh and Fermanagh, where IRA support is strongest.

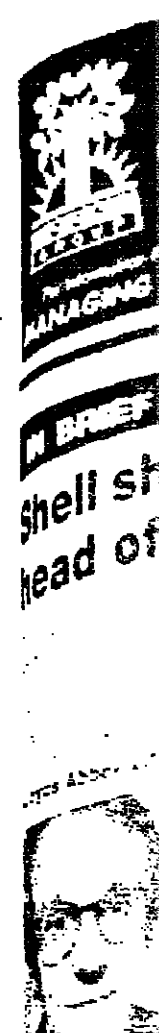
The government carried out

Mr Ian Paisley, leader of the Democratic Unionist party, said yesterday that he was "prepared to listen" to proposals for a referendum from Mr John Hume, leader of the mainly Catholic Social Democratic and Labour party, writes Caroline Southey in Strasbourg.

The two men met yesterday in Strasbourg, where they addressed members of the European Parliament.

Mr Paisley said he would "listen to what Mr Hume has to propose on the referendum question and to the questions he wants to put to me". In turn, he believed Mr Hume was prepared "to listen to my arguments". Mr Hume's proposal is for a referendum in the north and south, on the use of violence and the question of all-party talks.

In an attempt to breathe new life into the peace process the two men said after their meeting that they had discussed the "overall political situation in the wake of the ending of the IRA ceasefire" and that they would meet for further talks next week.



UK NEWS DIGEST

Sainsbury set on Irish project

J. Sainsbury, the UK stores group, has insisted that its £100m investment for Northern Ireland would proceed unaltered. It announced yesterday that planning approval had been secured to develop the first two of seven new stores in the province.

Amid local concern that investments may be put on hold in the wake of Friday's IRA bomb attack on London's Docklands, Mr David Quaraby, Sainsbury's joint managing director, said the company's programme of development was unchanged.

"We have a clear strategy, we have already invested several million pounds," he said. "It would take a lot to deflect us."

John Murray Brown, Dublin

Nuclear power stations criticised

An audit by government regulators of British Nuclear Fuels' Sellafield and Drigg sites found a marked variation in the quality of radioactive waste management at both sites, with a number of storage facilities deemed less than satisfactory.

The report, published today, of the audit carried out between September and December 1994 says no waste was considered to pose an immediate risk to workers or the public. But the audit team, from the Health and Safety Executive's Nuclear Installations Inspectorate and HM Inspectorate of Pollution, says decades of accumulation of radioactive waste have left much work to do to bring storage arrangements up to current standards.

Chris Tighe, Newcastle

Rail link details accepted

Final details of the route of the 67-mile high speed Channel tunnel rail link have been accepted by the UK government, clearing the way for the £3bn (\$4.6bn) project to move on to the next stage of the parliamentary timetable. Mr John Watts, rail minister, said yesterday.

A decision on the winning consortium to build and operate the line - planned to open in 2003 - is due within the next few weeks.

Charles Batchelor, London

BT to charge premium on lines

British Telecommunications yesterday agreed to proposals from the industry watchdog which will give it the freedom to raise line rentals and introduce innovative pricing packages.

It has hinted, however, that it might wish to charge customers a monthly fee for renting a BT line simply to access other operators' services.

Mr Don Cruickshank, director-general of the Office of Telecommunications, makes it clear in a public letter that such a charge would be within the rules. He says his concern would be to ensure that such a charge was neither discriminatory or anti-competitive.

Alan Cane, London

Nadir aide on trial

Mrs Elizabeth Forsyth, a former aide of Mr Asil Nadir, the Polly Peck chairman, travelled to Switzerland to physically transfer almost £400,000 (\$616,000) of stolen money in cash from one bank to another, an Old Bailey jury heard yesterday.

Her decision to do this rather than use the banks' normal electronic transfer systems showed Mrs Forsyth knew she was involved in a dishonest operation to launder stolen money, it was alleged. Mrs Forsyth denies two charges of handling £395,000 allegedly stolen from Polly Peck by Mr Nadir. The trial continues today.

John Mason, London

Company cars retain popularity

Predictions that 1994's company car taxation changes would lead to the demise of "perk" company cars, with their drivers opting for a cash allowance instead, have proved quite wrong.

The perk car is as popular as ever, accounting for about 40 per cent of the typical company's fleet.

Although an ever growing number of companies is offering a cash alternative, take-up rates remain low, typically less than 10 per cent.

John Griffiths, London

Blasted buildings still unsafe

The nine most badly damaged buildings from Friday's IRA blast in London's Docklands were still too unsafe for property owners and key holders to enter yesterday.

Only when the forensic teams have finished sifting through debris for clues to the bombers' identity will surveyors be allowed into the buildings to complete detailed structural surveys. Tower Hamlets Borough Council said last night.

Andrew Taylor, Construction Correspondent

Minister attacks aid budget cuts

By Michael Holman,
Africa Editor

Britain's minister for overseas development, Baroness Chalker, yesterday criticised the government's decision to cut aid, but defended plans to concentrate assistance on fewer countries.

In a rare public expression of dissent over aid policy, Lady Chalker said: "I was more than disappointed in November that the aid budget was reduced when compared with our previous published plans."

The comment came in a speech to the Royal Institute of International Affairs in London, in which she set out the

Overseas Development Administration's aims and priorities. Last year's budget saw the department's spending cut from £2.23bn (\$3.4bn) to £2.15bn.

Earlier in the day, Lady Chalker had said: "I hope we can restore this small reduction next year, because the people in those countries overseas need it very badly indeed."

In her speech Lady Chalker endorsed a recommendation that the department's resources should be concentrated on a limited number of countries "in order to enhance impact". But she added: "There is no question of abandoning

countries where our support is still needed."

The proposal followed last year's fundamental expenditure review of the ODA, which assessed the effectiveness of the UK aid programme.

The minister also outlined what she said were the department's four new aims and priorities: to encourage sound development policies, efficient markets and good government; to help people achieve better education and health and to widen opportunities, especially for women; to enhance productive capacity and conserve the environment; and to promote international policies for sustainable development.

The decision to narrow the focus of aid, currently going to more than 160 countries, did not represent a dramatic change, said Lady Chalker, but "the continuation of a gradual process already under way".

"Last year some 60 per cent of bilateral resources went to the 20 largest recipients. More of our aid will be directed to the poorer countries in Africa and Asia." The amount of aid concentrated in the poorest countries is expected to rise to 73 per cent this year.

Although British aid agencies yesterday supported moves to focus aid on fewer countries, they attacked the cut in assistance.

Major 'unscathed' by Scott

By Jimmy Burns in London

Sir Richard Scott yesterday indicated that Mr John Major would emerge personally unscathed from his arms-to-Iraq report. He, in turn, received assurances from the prime minister that some of his recommendations would be implemented.



Scott: ministers and civil servants will be criticised. Trevor Hargrave

However, in an interview with the FT on the eve of publication, Sir Richard also made clear that his report would not necessary exonerate other ministers and civil servants.

The judge said that the inquiry had confirmed him in his conviction that government "should be prepared to share with the public, on whose behalf it governs, its concerns and aims and the reasons why important decisions are taken". He indicated it was a veiled reference to one of the central focuses of his report: lack of government accountability over its export policy to Iraq, and the excessive secrecy of Whitehall.

Sir Richard also indicated that ministers and officials would be criticised over their handling of the Matrix Churchill case. He described as a "superficial view" any suggestion that Whitehall stood to be exonerated because it had not been told the full facts of the machine tool company's involvement with the Iraqi nuclear programme.

Details of the involvement known as project K-1000, Sir Richard said, were in his report, but it could not form the basis for a "conclusion as

to what happened. "I made it clear from an early stage in my inquiry that I would not allow it to degenerate into a retrial of the Matrix Churchill defendants," Sir Richard said.

While refusing to comment on other members of government Sir Richard Scott said he could "not have asked for more support" from Mr Major.

"I've had all the support that I've wanted from the prime

minister from the commencement of this inquiry. He made it very clear that my terms of reference could be widened and gave me full powers to decide what was to be published. In all respects he responded to my questions both orally and in written form," Sir Richard said.

He was speaking after a meeting with Mr Major in which the judge had repeated his criticism of the way parliament had not been given more time to look at his report before publication.

The only concession offered by Mr Major however was to promise to implement some of the "less controversial" recommendations, and a general apology for the way the conduct of his inquiry had been attacked.

Sir Richard said the prime minister met him to thank him for the report, although he didn't use the words "fair, accurate, and thorough".

"He gave me every indication that he expected some of my recommendations to be accepted, although he didn't tie himself to implementing them all," the judge said.

Doubts cast on costly MS drug

By Jenny Luesby, in London

The UK's National Health Service has budgeted an estimated £100m a year for an over-priced multiple sclerosis drug that may not work, reveals a report due out today.

The drug, interferon beta-1b, marketed by the German company Schering as Betaferon, was launched in the UK in December, following approval by the European Commission the previous month.

At £53.70 a capsule, it costs about £10,000 a year per patient and has already prompted unusually strict NHS guidelines on prescription. The problem for the authorities is that no-one wishes to deny MS patients access to a drug that could help their condition.

But the Drug and Therapeutics Bulletin, produced by the Consumers' Association for doctors, has recommended that the drug should only be used under trial conditions.

The price "has been set too high", it says, and the clinical trials - criticised in the Lancet and neurological magazines - were inconclusive.

As a biological drug, Betaferon cannot be patented. The high price reflects Schering's desire to recoup research costs before competition emerges.

When approving the drug, the European Medicines Evaluation Agency said comprehensive information on its quality, safety and efficacy had not been provided. For this reason the approval was subject to an

annual review. Schering said yesterday such reviews were required for "innovative" drugs. But the bulletin claims that drugs would normally be given "unfettered" approval.

Dr Joe Collier, editor of the bulletin, said: "The reticence of the European licensing authority has not been reflected in the promotion of the drug in the UK."

Schering said the drug was suitable for about one in eight of the 80,000 people in the UK with MS. It did not cure the condition or halt it but lead to fewer relapses.

It added that trials of the drug were not initially intended to answer all questions. For this reason, patients who dropped out were excluded from the analysis. The bulletin says this may have distorted the results.

It also points to the impossibility of running "blind" tests, since more than half of the patients taking Betaferon suffer strong side-effects.

Normally patients under trial do not know if they are taking the drug or a placebo, removing the possibility of psychosomatic improvement.

In addition, 20 per cent of relapses were self-reported. "If the self-reporting patients were removed from the calculations, the difference in the proportion of exacerbation-free subjects would not be statistically significant," says the bulletin.

Dr Collier said: "We are not persuaded that the drug is a good one."

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مكتبة الناصر

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Amer declines 60% as golf sales slide

Amer, the Finnish sporting goods manufacturer, saw 1995 profit slide more than 60 per cent as its Wilson brand was hit by lower golf equipment sales and its Atomic skis met tough competition. Amer, which had warned in July of lower figures, said profit after tax but before extraordinary losses fell to FM75m (\$16.3m) from FM220m. The company proposed an unchanged dividend of FM3.

The group said negotiations were continuing between the holders of its controlling K shares and an anonymous bidder, or bidders, for the stock.

Operating profit fell to FM268m from FM490m in 1994. Wilson made up FM75m, a fall of 71 per cent from 1994's contribution. Group net sales slipped to FM6.17bn from FM6.93bn. Amer did not make any forecast for 1996 profit, but said it expected net sales this year to exceed FM5bn.

Sales volumes of Wilson golf equipment fell, and Amer said its golf club business had also been hit by a shift in demand towards lower-priced products. Atomic fell short of its targets because of tough price competition in the ski market, and one-off costs related to the reorganisation of production. While net sales of rollerblades skates rose sharply, profitability was hampered by production problems caused by a surge in demand and the marka's strength relative to the dollar.

Reuters, Helsinki

Kredietbank buys into Poland

Kredietbank of Belgium is acquiring a 10 per cent stake in Poland's listed Kredyt Bank as part of its central European strategy, which will involve further purchases of minority holdings in banks in Hungary, Slovakia and Slovenia. The investment is the first by a Belgian bank in Poland.

Kredietbank last year bought a minority stake in Bank Hana in the Czech Republic.

The Polish purchase, costing around \$5m, will be made through a new share issue by Kredyt Bank, which hopes to raise up to \$18m from foreign and local investors. In April it will make a further share issue reserved for the European Bank for Reconstruction and Development, which will give the London-based bank 10 per cent of Kredyt Bank's overall capital.

The combined share issues should lift Kredyt Bank's overall capital to around 20m zlotys (\$78.6m), putting it into the first rank of Poland's medium-sized private banks. Last year, Kredyt Bank reported net profits of 10.2m zlotys.

Christopher Bobinski, Warsaw

Surge at Hafslund Nycomed

Hafslund Nycomed, the Norwegian pharmaceuticals and energy group, posted its best-ever result with pre-tax profits rising more than 54 per cent. Profits before tax jumped to Nkr2.03bn (\$314.7m) for the year to December 31 from Nkr1.51bn last time. Operating profit before research and development costs was Nkr2.11bn, against Nkr1.43bn.

Before R&D costs, operating profit in the main medical imaging division rose to Nkr2.4bn from Nkr1.7bn. Pharmaceutical division operating profit rose to Nkr623m from Nkr616m. The energy division lifted operating profits to Nkr272m from Nkr124m. Net losses on currency transactions fell to Nkr29m from Nkr40m, while returns on its securities portfolio rose to Nkr156m from Nkr12m. The company said an agreement for marketing of Ivax's asthma treatments in Europe was signed yesterday and goes into effect immediately.

Agencies, Oslo

CarnaudMetalbox cautious

CarnaudMetalbox, the French packaging group, said sales fell to FF24.61bn (\$4.8bn) in 1995 from FF24.89bn a year earlier. However, on a comparable exchange rate basis, sales rose 4.2 per cent, the group said.

In the fourth quarter alone, sales were up 4.8 per cent at FF4.9bn on a comparable exchange rate basis, largely thanks to volume growth in European metal packaging. The company said that second-half operating results would be "significantly affected" by pressure on prices, which remained intense at the end of the year.

AFP News, Paris

Changes at Rhône-Poulenc US

Mr Peter Neff, president and chief executive officer of Rhône-Poulenc Inc, will retire at the end of 1996. The company said Mr David Eckert, president of the group's North American chemicals unit, would assume additional responsibilities as Rhône-Poulenc Inc's president and US country representative for the parent company, effective January 1 1997. The company did not name Mr Neff's successor as chief executive.

Reuters, Princeton

Deutsche Babcock chief finds turnaround elusive

Heyo Schmiedeknecht has little to show for years of costly restructuring, writes Michael Lindemann

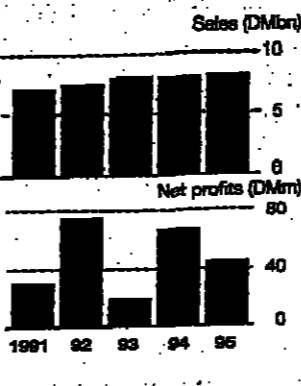
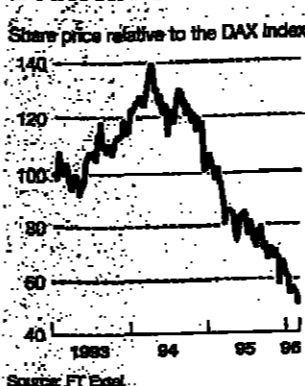
If the name alone is anything to go by, Mr Heyo Schmiedeknecht, Deutsche Babcock chief executive, would seem to have the best possible qualifications for a job in heavy engineering. Schmiede means smithy or forge, and Knecht can be loosely translated as labourer.

The problem is that Mr Schmiedeknecht has been labouring to drag Deutsche Babcock, one of Germany's biggest engineering groups, back into lasting profitability for almost six years now and has little to show for it.

Last year the group paid a DM5 dividend – the first since 1988 – and Mr Schmiedeknecht predicted the group was finally pulling out of the trough, forecasting operating profits of DM102m (\$69m) for the year ending last September. Among sections of the German press, Mr Schmiedeknecht was feted as a turnaround wizard.

In fact, operating profits were DM82m last year, the hoped-for dividend had been cancelled, and a sullen Mr Schmiedeknecht said another 3,000 jobs would have to go as part of a restructuring programme dubbed Best.

Deutsche Babcock



Having already spent DM450m on restructuring in the past three years, Mr Schmiedeknecht now says he needs at least another DM70m to fund this year's overhaul, which will involve the disposal of business worth about DM1.6bn in sales terms.

However, the forecasts he made this week at the results meeting were so dismal that observers are wondering whether he will find any buyers at all for some of his biggest loss-makers, which he estimates are worth DM600m in sales terms. "He talked his own companies down to such an extent that it is difficult to see how he will be able to find buyers for some of them," one analyst said.

Should he fail to find buyers, Mr Schmiedeknecht has said he will close down the businesses concerned, a process likely to cost more than DM70m.

Admittedly, Mr Schmiedeknecht's task was never going to be easy.

When he took over as chairman in 1990, most of Deutsche Babcock's business came from building power stations for the German market, where it

enjoyed a virtual monopoly. It has been able to benefit from its strengths in that market in recent years, winning a DM1.2bn contract for a power station in eastern Germany late last year and another one worth DM280m more recently.

However, the market is clearly one that is drying up, mainly because most of the eastern German power stations have now been modernised.

Aware of the slowdown in Germany, Mr Schmiedeknecht and his lieutenants have tried to generate more business abroad with joint ventures in

India, China, Romania and purchases in Switzerland.

For some of the subsidiaries – Flender, Balcke-Dürr, Babcock-BSH or Babcock Lentjes Kraftwerkstechnik – the new strategy shows some sign of working.

In fact Schumag, the precision engineering company which Mr Schmiedeknecht likes to refer to as the group's "pearl", last year generated operating profits of DM34m on sales of about DM200m. Deutsche Babcock altogether managed operating profits of DM83m on sales of DM4.3bn.

It is figures like these which lead analysts and others to suggest that Deutsche Babcock group needs to be pulled apart and the subsidiaries, many of which are already listed on the stock exchange, be allowed to get on with core activities.

Another solution which has been talked about in recent months – not for the first time, admittedly – is the sale of a larger stake to another industrial group.

As Mr Schmiedeknecht himself admitted on Tuesday, a candidate has been sighted in the form of Philipp Holzmann, Germany's largest construction group which is itself battling to fend off a takeover from Hochtief, its smaller rival.

Executives close to the talks say that Mr Lothar Mayer, Holzmann's chief executive, suggested to his supervisory board in December that the Frankfurt-based group take a stake of about 20 per cent in Deutsche Babcock.

The link-up would make sense because there are obvious synergies between Babcock Energie and the Holzmann subsidiary Steinmüller; together, they are Germany's biggest boiler makers.

However, the Holzmann supervisory board is reported to have told Mr Mayer that Holzmann would need a majority in Deutsche Babcock.

In line with most other German companies, Holzmann said it did not comment on supervisory meetings, but executives say Mr Mayer was sent away to see where he could find the shares, about 85 per cent of which are held by private investors.

The only major shareholder is Westdeutsche Landesbank, the Düsseldorf-based group which works closely with the Social Democrat government in the Ruhr. It took a 10 per cent stake four years ago in order, as the company put it, "to accompany" Deutsche Babcock through its difficulties.

Given that these difficulties show very little sign of ending and the German engineering industry has predicted negative growth rates for this year, WestLB and several other investors must be wondering how much longer they will hold on to their shares. "The whole thing is still on a knife edge," said one executive who knows Deutsche Babcock well. Holzmann results, facing page

Renault hints at earnings downturn

By Haig Simonian, Motor Industry Correspondent

Renault, the state-controlled French vehicles group, has hinted that profits for 1996 may be below those for 1994 because of difficult trading conditions in the second half of last year.

Renault's full financial results will not be published until March 19. However, releasing its 1995 sales figures yesterday, the company said various "negative elements" in its mainstream cars business, including "very intense price competition", would have a "direct impact" on its results. The cars division accounted for 74 per cent of sales last year.

Group sales rose by 1.8 per cent to FF184.1bn (\$36.17bn) from an adjusted FF180.9bn in 1994. The bulk of the increase came from RV1, the commercial vehicles division, which raised sales by 13.4 per cent to FF23.95bn on the back of continuing growth in commercial vehicles in Europe and an improved showing by the Mack Trucks subsidiary in the US.

Turnover in cars, by contrast, fell 0.8 per cent to FF136.6bn because of the weak European new car market and particular difficulties in France in the second half.

Demand for new cars slumped following the expiry of a government incentive scheme to stimulate new car sales in July. A replacement

Merita ends four years of big losses

By Christopher Brown-Humes in Stockholm

Merita, the Finnish banking group formed last year from the merger of Kansallis-Osake-Pankki and Unitas, yesterday announced a 1995 profit of FM491m (\$107m) after four years of heavy losses.

Mr Vesa Vainio, chief executive, said the turnaround had been driven by a dramatic fall in credit write-offs. "We promised a small profit for 1995," Mr Vainio stated, although such a feat would not have been possible without FM345m of capital gains from equity sales.

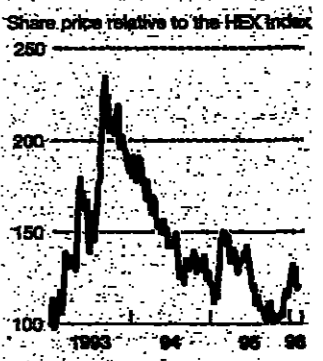
KOP and Unitas racked up combined losses of FM16.4bn between 1991 and 1994 during severe economic recession.

Mr Vainio said the group expected a further improvement in 1996, but warned that credit losses would fall at a slower pace this year. It might be 1996 before profits reached an acceptable level.

"We still have deep problems in the Finnish domestic economy, particularly in construction, trade and hotels and restaurants," he stated. He added that Merita was "somewhat ahead of other Finnish banking groups" in tackling high costs because of the scope for synergies created by the merger.

Merita cut more than 3,000 jobs during 1995, ending the year with 15,500 employees, against a total of 18,800 at KOP and Unitas at the start of the year. It hopes to get the total down to around 13,200 by the

Merita



Revamp pays off as Uralita posts profit

By Tom Burns in Madrid

Uralita, the leading producer of building materials in Spain which has core shareholder backing from foreign institutions, has reported a profit turnaround. It recorded attributable net income of Pt6.21bn (\$50m) last year, following a sustained period of losses and then flat results in 1994.

The recovery, in line with market expectations, was built on a wide-ranging restructuring. It included the sale, through a Madrid market listing a year ago, of 51 per cent of Aragoness, its wholly-owned chemical subsidiary.

Uralita also saw strong demand for its core products –

Uralita posts profit

He said he was looking for an industrial buyer for Aragoness, but would also consider placing Uralita's holding in Aragoness on the market once prices for PVC, which accounts for 45 per cent of Aragoness' business, had recovered.

Mr Garcia Diaz said the outlook for 1996 was uncertain because an economic slowdown in Germany would affect Spanish growth, and because the volume of public investment in Spain remained unclear in the run-up to general elections scheduled for March 3.

He said that Uralita, which suffered a weak final quarter last year, would repeat the 1995

KOP ends two years of losses

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February 1996

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Registration No. 01 05309 06

The investment committee of pension funds administered by Anglo American Corporation has decided to appoint

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Rabobank Nederland
Utrecht, the Netherlands
February 13, 1996

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GUARANTEED BY THE DAI-ICHI KANGYO BANK, LIMITED

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INTERNATIONAL COMPANIES AND FINANCE

Merrill Lynch to pay Pta3.7bn for Spanish broker

By David White and Tom Burns in Madrid

Merrill Lynch, the US investment bank, is to absorb Spain's largest independent brokerage business, FG, in a Pta3.7bn (\$29.7m) deal concluded yesterday.

The acquisition, by far the biggest of its kind by an international institution in Spain, is part of a strategy by Merrill Lynch to build up its presence in European markets, and follows its takeover of Smith New Court in the UK last year.

It will introduce strong competition to the big Spanish banks which currently dominate the domestic broking business.

FG ranks fourth in the market behind the firms owned by Banco Bilbao Vizcaya, Banco Santander and Argentaria, and has a market share of about 7 per cent on the Madrid stock market.

The deal, which followed several months of talks, covers the whole of FG's broker-dealer, corporate finance and asset management businesses. The FG corporate finance operation is to be closed down, with the other activities becoming part of Merrill Lynch's Spanish unit.

Mr Claudio Aguirre, president of Merrill Lynch España, said the plan was to transform the unit into a branch once Spanish legislation was introduced in line with the European Union directive on finan-

cial markets, which came into force this year.

The US bank is to take on all of FG's 130-strong workforce. Mr Aguirre said its future activity in Spain would concentrate on three areas: investment banking including the brokerage business; asset management; and its long-standing private banking operation.

The purchase price includes Pta2.5bn for the main broking business after FG reduces the unit's capital from Pta10bn to Pta1bn, and Pta700m for the asset management business, which has a capital of Pta300m.

Mr Francisco González, FG chairman, who described the deal as a "historic opportunity for Spain", will become a senior adviser to Merrill Lynch International. He and other managers have up to now controlled 56 per cent of FG, with the remainder in the hands of savings banks and institutional investors.

Merrill Lynch's chief interest is in FG's strong position in the asset management sector at a time when domestic investment and pension funds are set to grow strongly. FG's client base will also complement Merrill Lynch's important role in Spanish privatisations by allowing the US bank access to the flow of domestic funds.

The US bank said its plans for building up its presence in other European markets would not necessarily involve acquisitions of local firms.

EUROPEAN NEWS DIGEST

Compagnie Bancaire ahead 12% for year

Compagnie Bancaire, the French financial services group, yesterday announced a 12 per cent increase in net profits in 1995. The group, 47 per cent owned by Paribas, the French financial services company, said net profits had been FF7602m (\$118m) while the total volume of lending rose 7 per cent to FF765.1bn.

The results came amid renewed speculation about the health of the French financial sector, after Paribas denied reports in the French press that it faced a huge 1996 loss. Paribas indicated in its most recent half-yearly statement, issued last September, that net profits for the first half had been halved. However, a French newspaper yesterday claimed the group could post a loss of FF7.5bn to FF7.4bn in its annual results to be published this month. Paribas insisted the reports were "sheer speculation", and said its results for 1996 had not yet been legally approved or finalised.

Compagnie Bancaire's figures yesterday showed that the group benefited from a steady performance in overseas and domestic markets, although the housing-related sector showed particular weakness. In France lending by its subsidiary Cetelem, the consumer credit group, rose by 13 per cent. At the French UCB group, another subsidiary, housing loans rose 2 per cent for the year as a whole, despite a 16 per cent fall in the first half. In overseas markets, the volume of lending rose 9 per cent in the year.

Gillian Tru, Paris

Hugo Boss rises to DM58m

Hugo Boss, the German men's clothing company which has been updating its image and striving to appeal to a wider range of customers, announced an 11 per cent rise in net profits last year to DM58m (\$39.2m), and is raising the dividend payout.

Controlled by the Marzotto textile and clothing group, Hugo Boss has recently expanded both its sales and production abroad. The company said it managed to build up its position in international markets, despite difficult economic conditions and the strong D-Mark. Profits benefited from improved earnings from the US, where Boss has undergone a costly restructuring, and a 5 per cent rise in turnover to DM901m.

The dividend is being raised from DM34 a share to DM41 on the voting shares (mostly owned by Marzotto) and from DM35.80 to DM42.50 on the preferred stock. Analysts forecast further sales and profit increases for 1996 as business expands in the US, south-east Asia and eastern Europe. The company, selling under the names of Boss (its main range), Hugo Boss (for young, trend-conscious buyers) and Baldessarini (higher-priced, exclusive designs), has cut costs by shifting more production abroad, especially to eastern Europe.

Andrew Fisher, Frankfurt

Campbell Soup up 12% in term

Good soup volumes in the US and overseas helped Campbell Soup, the US food company, report record net earnings of \$258m for its fiscal second quarter to January 28 - up 12 per cent from \$231m a year earlier, the company reported yesterday. Soup volumes were up 4.5 per cent in the US and 14 per cent internationally, with particularly strong gains in the UK, Hong Kong, Canada and Japan.

The company said US operating profits climbed 18 per cent to \$320m, driven by soup and the \$1bn acquisition of Pace Foods, the Mexican-style sauce manufacturer, at the end of 1994. The bakery and confectionery division increased operating profits by 7 per cent to \$67m. The international division increased operating profits by 6 per cent to \$42m, boosted by the acquisition of Homepride cooking sauces in the UK and the Cheong Chan soup and sauce business in south-east Asia.

Richard Tomkins, New York

Gulf Canada plans offerings

Gulf Canada Resources, the Canada-based international oil and gas group, plans a primary and two secondary stock offerings together worth nearly C\$350m (US\$255m) which will bring the total public interest to 53 per cent from 31 per cent.

Gulf will first make a public offer of 22m treasury shares worth about C\$130m at the present share price of C\$6 in the market. Next a secondary offer will be made of 22.8m shares now held by Gulf's senior creditors. They received the shares as a result of the collapse of the Reichmann property and resource empire in 1983-83.

Then Torch Energy Advisors, of Houston, will offer up to 13.2m Gulf shares, so reducing its equity interest from 29 per cent to 17 per cent.

Gulf has come through a restructuring and is now in a significant international development phase. It almost broke even in 1995 on revenues of C\$718m. It participates in a US\$600m gas development project in Sumatra, Indonesia. Its production is in Canada and Indonesia and total capital spending this year will exceed C\$400m.

Gulf will receive the proceeds from the treasury share issue only in the current series of financings.

Robert Gibbens, Montreal

Profits downturn seen at Holzmann

By Michael Lindemann in Bonn

Philipp Holzmann, Germany's biggest construction group, yesterday said its net profits this year would be lower than the DM120m (\$91.2m) reported last year, a setback which is unlikely to improve its chances of landing off a takeover bid from Hoechst, its smaller rival.

The group incurred operating losses of up to DM100m at two building sites in Munich and Dessau in eastern Germany, the company said, and had had to make provisions for lower expected rental costs on construction developments.

Mr Lötter Mayer, chief executive, said the group would pay a "good dividend" to follow a payment of DM13.5 last year, but would only release more comprehensive results in May.

As part of what is seen as a counter to the Hoechst bid, Mr Mayer confirmed Holzmann was in talks with Deutsche Babcock, the ailing German engineering group. He said the two companies had conducted one round of talks.

Asked about the size of a possible stake in Deutsche Babcock, Mr Mayer said that Holz-

mann would want "as much as possible".

Holzmann's construction output, the industry's equivalent of turnover, rose 7.1 per cent to DM14bn while new orders rose around 10 per cent to DM15.5bn.

The group reported losses on its road building activities. The output of its road and quarrying division, which makes up about 13 per cent of total sales, fell by 5 per cent. Output in the energy and environmental technology division - 16 per cent of group sales - rose 18 per cent and profits were higher than last year.

Mr Mayer said that, in line with other leading construction companies, the industry would only accede to government plans to keep foreign labourers out of the German construction market if a future minimum wage was kept as low as possible.

The government and the unions have been pressing for a minimum wage of about DM20 per hour but Mr Mayer said the industry would only accept a deal worth around DM15. Any other solutions would damage German industry by shielding it from growing European competition.

Six groups vie for Czech phone stake

By Vincent Boland in Prague

Six bids were lodged yesterday in a hotly-contested competition for a 49 per cent stake in a GSM digital mobile telephone licence being offered by the Czech government.

The economy ministry, which has run a tender for the stake in the licence, had set the close of business yesterday as the deadline for receiving bids. The tender has attracted strong interest from European operators, some of which have linked with local companies.

The bidders are France Télécom with Telesystem of Canada; DeTeMobil, part of Deutsche Telekom, with Stet of

Italy and three local groups; TeleDanmark with Telenor of Norway; Airtouch of the US with a local partner; Telecom Finland with RWE Teelliance of Germany; and Mannesmann MobilCom, part of the German industrial group, with a local partner.

A 51 per cent stake in the licence - one of two to be awarded by the government - has been granted to Česká Radiokomunikace, which operates radio and TV signal transmission services in the Czech Republic. The tender is to find an experienced international GSM operator to develop nationwide mobile telephone services. The second licence

has been set aside for EuroTel, a joint venture between the state operator SPT Telecom and Bell Atlantic and US West. EuroTel already offers mobile telephone services using NMT analogue technology.

The winner of the tender is expected to be announced in late March. Granting of the two licences will introduce competition in mobile telephony to the Czech market.

The two licences cost about \$15m each, but the cost of developing nationwide services is put at several hundred million dollars.

Malev, the Hungarian national carrier, and Alitalia have reached preliminary

agreement over a disputed \$8.5m debt left over from the Hungarian airline's privatisation three years ago. Hungarian privatisation officials said yesterday, writes Virginia Marsh in Budapest.

Alitalia and Simest, an Italian state investment agency, agreed to buy stakes of 30 per cent and 5 per cent respectively for a combined \$77m in late 1992 but held back \$8.5m, claiming Hungary had overvalued Malev's Soviet-made Tupolev aircraft.

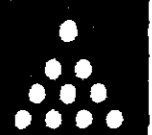
Under the agreement, yet to be approved by the boards of Malev or Alitalia, the Italians are expected to pay less than half of the outstanding \$8.5m.

NEW ISSUE

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February, 1996

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January 1996



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NLG 1,248,000,000 Term Loan Facility Rothmans Nederland Holdings BV

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INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

TWA in black at operating level

Trans World Airlines, the US carrier that emerged from Chapter 11 bankruptcy protection last year for the second time in two years, ended 1995 with heavily reduced losses and made its first annual operating profit since 1989, the company reported yesterday. In the fourth quarter the company cut net losses before extraordinary items and preferred stock dividends from \$246.2m to \$31.3m. For the full year, net losses on the same basis were down from \$433.8m to \$371.5m. TWA has benefited from the sharp upturn in the domestic air travel industry. Rising passenger numbers and cuts in capacity have driven up load factors and fares, and airlines have also been working to reduce costs. TWA's full-year revenues fell by 2.7 per cent to \$3.3bn because it cut unprofitable services, but it turned the previous year's operating loss of \$79.5m into an operating profit of \$25.1m. This week TWA placed its first big order for new aircraft in more than a decade, agreeing to buy 10 Boeing 737-200s and lease 10 more; the total value of the order is about \$1bn. But Mr Jeffrey Erickson, chief executive, said the company needed to attack costs aggressively and enhance revenues to build on last year's restructuring. *Richard Tomkins, New York*

Columbia/HCA advances

Columbia/HCA Healthcare, the largest hospital management company in the US, said yesterday that fourth-quarter earnings rose 24 per cent last year. Net income in the fourth quarter was \$354m on revenues of \$4.6bn compared with profits of \$286m on revenues of \$3.9bn for the same period in 1994. The figures for both periods include the company's acquisition of HealthTrust, which was completed last April. Columbia also reported that it had reached a partial settlement with the Internal Revenue Service related to a dispute over methods used to calculate tax liabilities at HCA from 1981 to 1988, before its 1994 merger with Columbia. Issues related to about \$486m in potential taxes and interest payments were settled for \$87m earlier this month, and the tax court is expected to rule on the remainder of the dispute sometime this year. Mr Keith Markey, an analyst at ValueLine, estimates that the total liability could reach \$1.7bn. Shares in Columbia slipped 3/4 to 55 1/4 in early trading yesterday as earnings per share of 79 cents missed estimates by a cent. *Lisa Bransten, New York*

GE and Fuji Electric in link

General Electric of the US and Fuji Electric, the Japanese maker of electrical machinery, have formed a strategic global alliance to manufacture and market standard inverters used to control the speed of motors in a range of industrial applications. The two companies will set up a holding company in the Netherlands and manufacturing facilities and sales companies around the world, and combine their standard inverter businesses in global markets outside Japan. Inverters are used to control the speed of motors in a wide range of applications from air conditioners to large-scale plants. The alliance brings together Fuji Electric's strength in manufacturing inverters and its leading market position in Asia. The joint business aims to take a 20 per cent share of a \$200bn (\$1.88bn) global market for the inverters. The market is expected to grow at an average annual rate of 15 per cent, with Asia enjoying growth of about 30 per cent per annum, albeit from a small base. By 2000, the companies expect the market to expand to about \$300bn. Fuji already enjoys a worldwide market share of 11 per cent including Japan. However, the new alliance will not include the Japanese market, where Fuji has a market share of about 25 per cent. *Michiyo Nakamoto, Tokyo*

YPF down 22% as gas sales fall

By David Pilling
in Buenos Aires

Lower natural gas sales and continued losses associated with a recent acquisition contributed to disappointing fourth-quarter results at Argentine hydrocarbons company YPF, where net income fell 22 per cent to \$126m against the same period in 1994. Net income per share fell from 46 cents to 36 cents as YPF continued to absorb the high debt levels it assumed after last year's purchase of Maxus Energy, a US-based

hydrocarbons company. One US analyst described YPF's fourth-quarter results as "terrible". As the Buenos Aires stock market neared its close, the YPF share price was down 5.3 per cent at \$21.45. However, sales at Maxus, which has important resources in the US, Indonesia and Venezuela, rose 24 per cent to \$194m in the fourth quarter against the same period in 1994, suggesting that YPF may be beginning to make good its pledge to turn the loss-making company around. "During the quarter we con-

tinued to take steps to make Maxus profitable," said Mr Nells León, YPF president. "In addition to headcount reductions and other office cost cuts, we are investigating forming a joint venture for operating Maxus' US natural gas properties to further reduce administrative costs and add operational efficiencies." Mr Christopher Eccleston of brokers Interacciones, who has been critical of the Maxus purchase, admitted that "Maxus appears to be coming good". Nevertheless, overall fourth-quarter results were "disappointing", he said, with sales

down 4.2 per cent to \$1.28bn despite higher oil prices. "That is far more than a seasonal decline," he said, attributing the fall partly to Argentina's sharp recession which saw the economy contract by at least 2.5 per cent last year. Full-year results at YPF continued to be impressive, with profits up 41 per cent to \$733m. These were "record levels" of profits on equally exceptional sales of nearly \$5bn, Mr León said. Operating income for the full year had improved 30 per cent from the previous year, he said.



Nells León: taking steps to make Maxus profitable

Bausch & Lomb buys Scottish lens maker

By James Buxton,
Scottish Correspondent

Bausch & Lomb, the US optical goods company, has bought Award, a Scottish company which is one of only two producers in the world of disposable one-day contact lenses. The purchase, for an undisclosed sum, will enable Bausch & Lomb to compete in the field of one-day contact lenses with Johnson & Johnson, the US healthcare company which is Award's only rival. It should also lead to faster penetration by one-day lenses of continental Europe, and to the introduction of Award's lenses into the US. One-day lenses, which wearers throw away at night, were introduced in the UK last year by Award, shortly before Johnson & Johnson. The US company had launched them in the US the previous year. The lenses have only 2 per cent of the European contact lens market but are growing in popularity because they require no cleaning. Boots the Chemists, which sells Award's lenses in the UK for about £1 a pair, expects contact lens usage in the UK to double in the next three years as a result of the innovation. Mr Carl Sassano, global business manager for Bausch & Lomb's contact lens business, said the purchase would give the company "immediate low cost entry in the daily disposable market" and "allow us to reduce our planned capital spending to increase our manufacturing capacity". Bausch & Lomb, which claims to be the world's biggest eyecare company, will invest in increased production at Award's plant. It has bought worldwide licensing rights to Award's technology from BTG, formerly British Technology Group, and will apply later this year to the US Food and Drug Administration for approval to market the lenses in the US. Award, which employs 100 people at Livingston in West Lothian, had sales in the year to August 1995 of about £1m (\$1.5m) but expects £6m turnover this year.

Buenaventura puts expansion in its sights

NYSE listing is on the agenda at the Peruvian precious metals miner, says Sally Bowen

Forty-three years ago Mr Alberto Benavides, a mining engineer, left his managerial job at the then US-owned Cerro de Pasco Corporation and took a lease on the high Peruvian Andes. Today Don Alberto is the best-known and arguably the most highly regarded figure in Peru's mining world. He still directs Compania de Minas Buenaventura, which has grown to become the largest of Peru's locally-controlled mining groups. Sometime this year, he is expected to take it to the New York Stock Exchange.

Although his two sons hold senior company positions, Buenaventura is not a family company. The Benavides family controls 42 per cent of the voting shares and reckons over a quarter of the total is held by foreign institutional investors. Buenaventura employs 2,000 people, operates half-a-dozen production units, and has stakes in several other joint and exploration ventures. Six years ago, like many medium-sized Peruvian mining concerns, the company was racking up substantial losses. A combination of hefty government taxes on mining output (rather than profits), rock-bottom international silver prices - in the early 1980s, more than 90 per cent of income came from silver - and rampant terrorism in Peru's mining hinterland forced hundreds of small and medium-

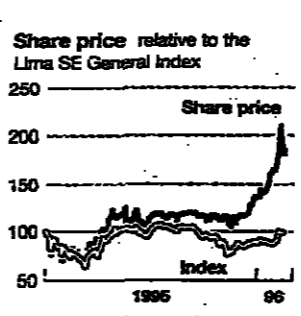
sized mines to close. Gold was the saviour of this traditionally silver-mining operation. Among its claims all over Peru lay Yanacocha, a site in the northern Andean department of Cajamarca; in association with France's BRGM, Buenaventura spent years, and a few million dollars, exploring the area. There was gold, but so disseminated it proved not commercially recoverable until Newmont Mining took a 38 per cent stake and came in with modern, cyanide-leaching technology. In two-and-a-half years since pouring its first gold, Yanacocha has become the largest single producer in the Latin American continent: 1995 production topped 554,000 oz and a new, third deposit is almost ready to come into full production. Due to the readily leachable nature of its ore, Yanacocha is also among the lowest cost gold producers in the world: 1995 cash costs were \$121 an ounce, half average western world costs. Gold is currently trading around \$402 an ounce. "For the overseas investor, the main attraction of Buenaventura is its being one of the joint venture partners of Minera Yanacocha," says Mr Jim Rutherford, mining analyst at HSBC James Capel. "It's one of the most exciting mainstream mining projects in Latin America in recent years."

However, Yanacocha's potential contribution to Buenaventura's asset value is still undervalued because of a legal dispute between Newmont and Yanacocha, and BRGM. The first two are fighting to confirm a preliminary ruling on their pre-emptive rights over BRGM's 24.7 per cent stake in Yanacocha, which the French company attempted to sell to Normandy Poseidon of Australia. If the present ruling is upheld, Buenaventura's stake in Yanacocha will increase to 43.6 per cent and Newmont's to 51.4 per cent. The World Bank's International Finance Corporation has the remaining 5 per cent. Although Yanacocha is the undisputed jewel in Buenaventura's crown, there is plenty of other sparkle. Uchucuchaca is producing close to 4m oz of silver a year, and prospects for doubling that look good. The Orcopampa gold mine produces more than 42,000 oz of gold and almost 2m oz of silver annually. Three other wholly-owned mines push group silver output up to some 8m oz a year. Among the 900,000 hectares of claims around Peru, the furthest advanced is the Tachahatay gold prospect, north-west of Yanacocha. Buenaventura is in a joint venture with Asarco-controlled Southern Peru Copper Corporation; in Ayacucho department, it shares another interesting venture with Newmont. In late January, it bought at

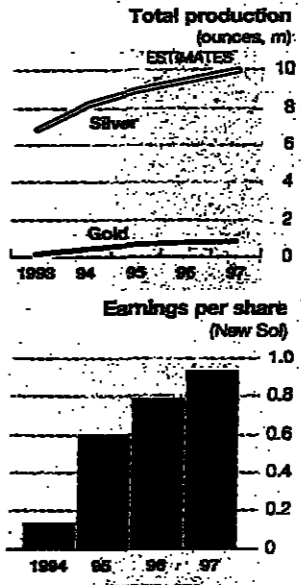
COMPANY PROFILE

Buenaventura

Market capitalisation	NS\$1.34bn
Main listing	Lima
Historic P/E	95.7
Gross yield	0.8%
Earnings per share	NS\$0.14
Current share price	NS\$19.9



Taking up the option will cost Buenaventura about \$6m with hefty future investment commitments. Among the 900,000 hectares of claims around Peru, the furthest advanced is the Tachahatay gold prospect, north-west of Yanacocha. Buenaventura is in a joint venture with Asarco-controlled Southern Peru Copper Corporation; in Ayacucho department, it shares another interesting venture with Newmont. In late January, it bought at

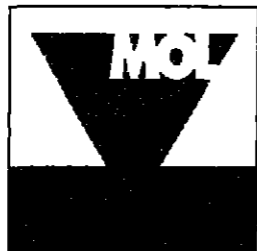


auction the first of a series of gold prospects belonging to Centromin, the large state run group which is currently being sold off, and plans further acquisitions in forthcoming privatisations. The expected equity issue sometime this year "would provide a solid platform for that expansion," says Mr Rutherford. And, for Don Alberto Benavides, an eventual New York listing would crown a long and distinguished mining career.

This announcement appears as a matter of record only.

November 22, 1995

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U.S. \$250,000,000 Floating Rate Notes due 1999. In accordance with the terms and conditions of the Notes, the interest rate for the period 15th February, 1996 to 15th May, 1996 has been fixed at 5.30% per annum. The interest payable on 15th May, 1996 will be U.S. \$22.50 per U.S. \$100,000 nominal. Agent Bank: ROYAL BANK OF CANADA

CONTRACTS & TENDERS

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- Applications are invited from reputed construction companies/firms for Pre-qualification for the construction of Five Star, 300 Bed Deluxe Hotel on a turn-key basis to be completed and made operational by 1st January, 1997. The details of the project are as under:
- Location: The plot is located in Sector G-5/1, North of Khyaban-e-Suhrawardy.
 - Size of plot: 630' x 450' i.e. 6.5 acres.
 - Permissible number of storeys: Basement + ground + 5
 - Floor area ratio for the plot is 1:1.75
 - Time Limit: The firms would be required to guarantee the completion of the project within the time limit i.e. by 1st January, 1997 for which purpose a Bank Guarantee would have to be provided.
 - The reserve price of the land is Rs. 6,500/- per sq. yd. The pre-qualified firms will be eligible to participate in a restricted auction in which the Bidders will indicate the lease amount to be paid to CDA for the land.
- Interested Firms/Companies having requisite experience are requested to submit the following documents/information by 25-2-1996.
- Full name and address of the firm along with organizational structure.
 - Particulars of Directors/Partners/Proprietors giving names, qualifications and experience.
 - Details of similar works executed by the firm in the past five years indicating names of the clients and consultants, locations, scope of works, approximate costs.
 - Particulars of technical staff on pay roll of the company/firm.
 - Banker's certificate clearly indicating in terms of amount, the credit worthiness of the firm as well as last three (3) years audited 'balance sheet' of the firm.
 - The client reserves the right to reject any or all applications without assigning any reason thereof.

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INTERNATIONAL COMPANIES AND FINANCE

ASIA-PACIFIC NEWS DIGEST

PTT Telecom in Indonesian buy

PTT Telecom of the Netherlands yesterday agreed to pay \$304m in cash for a 17.26 per cent stake in PT Telkom, an Indonesian operator of GSM mobile phone services.

Carter Holt shows improvement

Carter Holt Harvey, the New Zealand Forestry group, reported earnings ahead from NZ\$314m to NZ\$362m (US\$244m) on revenue up from NZ\$1.97bn to NZ\$2.25bn in the nine months to end-December.

CSR settles asbestos claims

CSR, the Australian building products, sugar and aluminium group, said yesterday it had settled a further 30,000 of the asbestos-related product liability claims which it has been contesting in the US.

Burns Philp slumps to A\$41m

Burns Philp, the Australian food ingredients company, saw after-tax profits slump to A\$41m in the six months to end-December, down from A\$76.7m in the first half of the previous year.

Resolute up at midway

Resolute Samantha, the Western Australian goldminer, yesterday announced profits after tax of A\$30.1m (US\$15.1m) in the six months to end-December, up from A\$8.4m a year earlier.

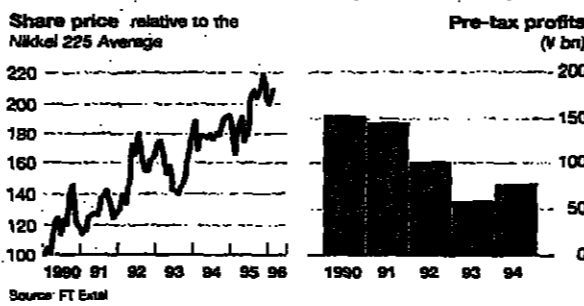
Cost cuts help Canon achieve 49% advance

By Michio Nakamoto in Tokyo

Strong demand for PC equipment and stable growth in the office automation sector helped Canon, the maker of printers, copiers and cameras, to achieve a strong profit increase in the year to last December.

COMPANY PROFILE: Canon Cameras and copiers aid enlargement

Table with 2 columns: Metric and Value. Metrics include Market capitalisation, Main listing, Historic P/E, Gross yield, Current share price.



Canon, which makes 78 per cent of its revenues overseas, was able to overcome the fluctuations in the exchange rate through the year and raise net recurring profits by 49 per cent from Y53.9bn the previous year to Y80.2bn (\$750m).

Chiyoda charged under Tokyo's securities laws

By William Dawkins in Tokyo

Tokyo prosecutors yesterday indicted Chiyoda Securities, a medium-sized stockbroker, and one of its former directors, accusing them of illegally compensating clients for investment losses.

These are the first such charges under a 1992 revision to securities laws that outlawed such compensation, but they are part of a continuing drive to clean up the image of Tokyo's financial markets.

of blows to the standing of Tokyo's capital markets. The charges against Chiyoda came in response to an accusation in December by the Securities and Exchange Surveillance Commission, the watchdog set up four years ago in response to the earlier share compensation allegations.

ONA gets to grips with its image problem

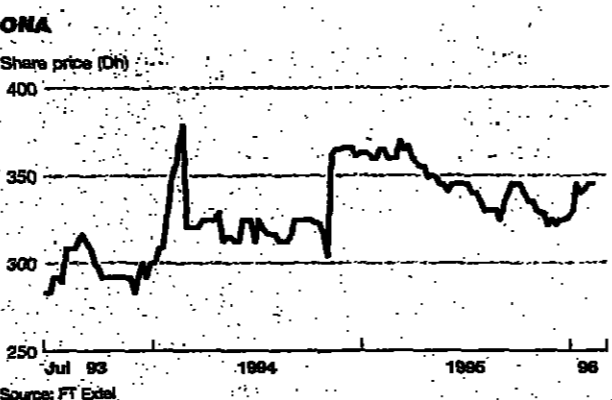
The Moroccan group has been accused of being aggressive and secretive, says Roula Khalaf

For many institutional investors, buying into Morocco means owning Ominium Nord Africain, the country's largest, most aggressive and most controversial company.

Lately, however, foreign holders - now accounting for 30 per cent of the equity, and including Mr George Soros, the international financier - have soured on the company and left the stock languishing at Dh345, the same price at which it was offered in a 1994 international placement.

ONA suffers from an image problem. With 1994 sales of Dh20bn (\$2.3bn) and a market capitalisation of Dh5.5bn, it is widely considered "a state within a state".

In connection to the royal family - members own 14 per cent of the stock - and the fact that its chief executive officer, Mr Fouad Filali, is both the king's son in law and the son of the country's prime minister



may be a reassuring factor to foreign investors. But it has also made the company an easy target in a country where no-one dares to directly criticise the monarchy.

Moroccans complain of excessive ONA control. Initially set up in 1919 by the French when Morocco was a protectorate, the company built the famed Mamounia Hotel in Marrakech. Today, core businesses include food, distribution, banking and financing, mining, construction, and high technology.

Through its food business ONA controls more than 70 per cent of the refined sugar market, 65 per cent of the milk market, 75 per cent of the yoghurt market and 75 per cent of the cooking oil market.

As the group expanded in size - revenues jumped from Dh5bn in 1988 to more than Dh20bn today and the conglomerate now comprises 100 businesses - it became more

difficult to understand, and analysts began complaining of a lack of transparency. In the 1980s, the company embarked on a buying spree, going into far-flung and unrelated businesses in textiles and tourism, and accumulating a mountain of debt along the way.

When Mr Filali took over in 1988, he added more businesses. His main goals include introducing Moroccans to the concept of hypermarkets and leading an international expansion with the 1993 purchase of one of France's largest food trading companies in Africa.

With 25 per cent of profits now derived from international operations, ONA can better withstand the swings of the Moroccan market, where drought can send growth from more than 10 per cent one year to a negative figure the next.

Mr Miles Morland, of London-based Blakeney Management, says ONA has been misrepresented as an index fund on Morocco. The big swing factors in the company's earnings are not the drought, he argues, but world metals prices - which affect its mining business -

pany remains secretive and less than forthcoming with financial details, while officials refuse to comment on events, allowing rumours to spread. For example, when ONA last year sold the largest insurance broker to a group that included a former company employee, rumours spread that the broker had been sold for nominal value and ONA did little to stop the rumour mill turning.

It is partly in response to this criticism that Mr Filali has been restructuring the company to focus on the main lines of business and dispose of the remainder. "People say we're too big and not transparent, so now we're trying to focus on a few lines of business and on getting our subsidiaries to be more profitable and to be run more efficiently," he says.

The results are already apparent. Mr Anas Alami, an analyst at local broker Uplink Securities, estimates return on equity of 13 per cent in 1995, up from 10.3 per cent the previous year, and 4.2 per cent in 1993.

But while the numbers tell a good story, a recent spate of unexplained high-level defections and concerns over the liberalisation of prices of staples such as vegetable oil and sugar have dogged the company in the past year. Questions have been raised about whether ONA will be able to face outside competition in a liberalised environment.

Mr Filali says ONA has long been preparing for these events, merging companies to achieve economies of scale. "We've made errors, but we also had good anticipation. We anticipated this trend years ago and that's why we have reduced costs and invest in productivity."

Although ONA may no longer be a family business, it continues to act like one, say analysts and observers

cent of the capital is owned by Moroccan institutions and 30 per cent by foreigners. Meanwhile he has reduced the company's gearing from 127 per cent in 1993 to 67 per cent now.

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COMPANY NEWS: UK

Shares at three-year low after results show effect of US demerger

First quarter dip at Hanson

By David Wighton

Hanson shares fell to a three-year low yesterday after the industrial conglomerate announced its first downturn in underlying quarterly profits since 1993.

The latest fall, of 3p to 180 1/2p, means the shares have fallen 12 per cent since the group announced plans to demerge into four quoted companies two weeks ago.

Hanson stressed that the £10m fall in profits to £262m, in the first three months to December, reflected the absence of a £44m contribution from US Industries, the collection of US businesses

demerged last year.

Fully-diluted earnings per share were unchanged at 3.5p and the quarterly dividend is held at 3p.

The figures, which were higher than some City forecasts, included £22m of dividends from Hanson's stake in the National Grid.

Lord Hanson, chairman, said: "This very satisfactory result is in line with expectations. We are ahead of last year after adjusting for USI contributions."

Operating profit from continuing operations rose to £336m (£278m) but the underlying trend was down, excluding a first contribution of £75m

from Eastern, the UK electricity group acquired for £2.9bn in September.

The dip was due largely to the expected downturn at its US polyethylene producer Quantum Chemical.

Polyethylene prices, which recovered strongly after Hanson acquired Quantum in 1993, slipped back in the second half of last year and profits fell 31 per cent to £58m in the first quarter.

But Hanson said customer de-stocking appeared to have ended and Quantum and other producers have announced price increases to take effect this month.

In its US coal business, Hanson said it had put in place an

"aggressive cost savings plan" following the fall in prices.

Profits from Imperial Tobacco, and Hanson's other consumer businesses, were slightly down at £81m (£87m), though the shortfall is expected to be recovered.

The contribution from building materials and equipment was flat at £36m, with an improvement in the US offsetting the impact of the UK housebuilding downturn on the brick and electrical side.

The Eastern deal pushed up interest charges to £55m (£53m) but it is likely to enhance earnings for the full year by more than expected at the time of the acquisition.

Hammerson extends French property side

By Simon London, Property Correspondent

Hammerson, the property investment and development company, has spent £67m (£100m) to extend its French property interests, including the acquisition of a large Paris office building.

The company is paying FF375m for the freehold of 40-46 rue de Courcelles, located in one of the city's prime office locations.

The deal is one of the largest investment transactions in the Paris office market in recent years and one of the most significant acquisitions by an overseas property company.

Many French property owners have been reluctant to sell to avoid realising losses on properties, which have fallen in value over the last five years.

The rue de Courcelles building generates rental income of FF15m on a lease expiring at the end of 1997, implying an initial yield at the purchase price of 13 per cent.

Mr Ron Spinney, chief executive, said Hammerson plans to refurbish the building, at an estimated £25m cost, when the existing lease expires. The refurbished building will provide 17,700 sq m (200,000 sq ft) of office space on large floors, suitable as a corporate or bank headquarters.

Credit Foncier, the French bank which is selling the building, has agreed to lend Hammerson the cash to satisfy the purchase price until December 1999, at a reduced 4 per cent rate of interest.

Hammerson has also acquired the 34 per cent it did not already own in 54 boulevard Haussmann, also in central Paris, from AXA, the French insurance group.

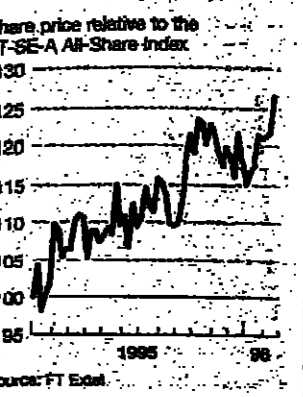
The UK company is paying FF141m for AXA's minority stake in the 10,600 sq m (110,000 sq ft) retail and office building. The price implies the same value for the building as when Hammerson acquired its initial 66 per cent interest in boulevard Haussmann in November 1994.

LEX COMMENT Lloyds Abbey

Yesterday's impressive results from Lloyds Abbey Life owed nothing to grim market conditions. LAL has had little alternative but to fight for market share and grind down costs. This strategy may be unexciting, but it has worked. The result is that, even after a healthy run, the shares still look reasonably priced. If, as seems likely, LAL can sustain dividend growth at or slightly above the market average, a 30 per cent yield premium may even be a little overdone. What is really exercising investors, though, is how LAL will fit in following the merger of Lloyds Bank and TSB.

Lloyds Abbey Life

Share price relative to the FT-SE-A All-Share Index



Source: FT Data

LAL's results show there are healthy profits to be made from selling insurance products to bank customers. And, in principle, there should be plenty of scope for cutting costs by putting together LAL, in which Lloyds has a 62 per cent stake, with TSB's businesses. But there are two snags. First, TSB and Lloyds have very different approaches to selling pensions and insurance products: TSB's operations, unlike Lloyds', are fully integrated. And just as importantly, the 35 per cent minority shareholding in LAL is a serious obstacle to putting the businesses together.

There is no problem-free solution, but what is clear is that the structure will have to change. Probably the least bad option would be for Lloyds to buy out LAL's minority investors. At £1.4bn or so, the cost would be quite a mouthful - but Lloyds could partly finance such a deal by selling non-bancassurance parts of the business.

Lloyds Abbey looking for buys

By Alison Smith, Investment Correspondent

Lloyds Abbey Life, the life insurer mainly owned by the Lloyds TSB Group, is joining the ranks of potential purchasers within the UK life assurance sector.

Until now LAL, which yesterday reported a 31 per cent increase to take its pre-tax profits to £421.5m (£648m) for 1995, has seemed unlikely to participate in the rationalisation of the sector.

This is because its own future ownership structure has yet to be resolved, having been called into question particularly by the merger between Lloyds Bank and the TSB Group late last year.

Sir Simon Hornby, LAL chairman, yesterday refused to say even when this issue might

be settled, suggesting that decisions on LAL's future could be some months away. One likely option is that Lloyds TSB would buy out the minority shareholders, and then perhaps sell Abbey Life, the subsidiary which sells life assurance primarily through a direct sales force.

But Mr Stephen Moran, LAL chief executive, emphasised the group's role as possible purchaser, saying it was on the look-out to acquire a mutual insurer to broaden its product range and enhance its ability to sell through independent financial advisers.

"We would be quite interested in buying a mutual life insurer," he said.

Abbey Life already sells some policies through independent advisers, but Mr Moran said that to be a serious pres-

ence in this market, an insurer needed to have a with-profits fund.

This type of fund would make it easier to provide certain types of product, alongside the unit-linked policies it sells now.

Like four of the other five continuing businesses within LAL, Abbey Life reported improved results for last year, as pre-tax profit rose 17 per cent to £149m (£126.9m). The sharpest increase was in Black Horse Financial Services, a "bancassurance" company selling only to Lloyds Bank customers, where pre-tax profits rose from £71.5m to £121.1m.

The exception to the improved results was Black Horse Agencies, the group's estate agency, which reported a pre-tax loss of £9.5m against £3.7m in 1994. But Sir Simon

insisted that the group had no plans to dispose of the business.

The 1995 results included the impact of two disposals: the group made a profit of £36.7m in selling the first mortgage portfolio of Lloyds Bowmaker, its finance company, but realised a loss of £36m in its sale of Trans Leben, its loss-making German insurance operations.

Mr Moran said the pre-tax £30m profit had been helped by 1994 results being hit by a £60m provision. This was for possible compensation payments to the victims of poor advice to leave an occupational pension scheme and buy a personal plan. Without this effect, pre-tax profits would have risen by about 10 per cent.

The results were better than the market had expected, and LAL shares rose 18p to 506p.

Further job losses at R Dutch Shell

By Robert Corzine

Royal Dutch Shell, the Anglo-Dutch oil group, has shed almost a third of its head office jobs since it announced a shake-up of its corporate structure last April.

The company says the number of jobs in its centralised service companies, based mainly in London and at various locations in the Netherlands, has been cut from 3,900 to 2,800 in spite of rearguard opposition to the changes by some senior managers and employees.

The 28 per cent reduction is close to the 30 per cent target set last year by Mr Cor Herkströter, chairman of Shell's committee of managing direc-

tors, the group's collective leadership.

The restructuring of the head office was due to have been implemented on January 1. But working out the details proved more time-consuming than originally envisaged, said executives. Consultations with staff councils in the Netherlands also proved to be "laborious", they said.

There are still some outstanding issues in the Netherlands, but staff now know how they fit into the scheme.

Shell, which reports its final results today, says the restructuring is less about immediate cost savings than making the company more responsive to a changing business environment.

GT Chile board refuses to resign

By Roger Taylor

The board of the GT Chile Fund, the investment company with assets of about £240m (£370m), has refused to resign despite a request from the majority shareholder in the fund.

Regent Kingpin Acquisitions yesterday confirmed that it now held more than 65 per cent of GT Chile, following a bitterly contested bid for the fund. It has asked for the board to resign, but the board has refused on the grounds that it needs to protect minority shareholders.

Mr Colin Kingsnorth, a Regent Kingpin director, said: "They are just clinging on to their dear life now. We do not want

to call an extraordinary meeting to vote them out, but obviously we will if we need to."

The board is concerned that Regent's proposals to liquidate the fund partially do not treat all shareholders equally, and that some may be unable to cash in their shares.

Regent says it has agreed to tender for enough shares in GT Chile to ensure that all investors who wish to exit the fund are able to do so. However, GT Chile's board said: "Regent has failed to provide satisfactory answers to our questions on its plans."

The board is considering a compulsory purchase of shares from Regent Kingpin under powers given in the fund's articles of association.

Williams in £35m China venture

By Daniel Böjler

Williams Holdings, the conglomerate, is to make its first investment in China through a £35m (£53m) joint venture to manufacture locks and security products.

The diversified industrial group, which produces Yale locks and Corbin Russwin door closures, is joining forces with China's largest lock maker, Guangdong Guli Locks.

Yale-Guli, will manufacture more than 25m locks a year and employ 4,000 people in Xiaolan.

Williams will inject its technology and £13m in return for management control and a 45 per cent stake. Guli will contribute its tangible assets for 40 per cent of the venture. The remaining 15 per cent will be held by American International, the US insurance company which already has a stake in Guli.

Guli has been making basic, single-lever zinc locks since 1974 and has diversified into other security products. It is the market leader in China with its Guli and Diamond brands and has been growing at about 50 per cent a year since 1988. The company exports half its production, mostly to North America.

Guli's sales last year were worth about £30m compared with £350m turnover at Yale. Guli is profitable under Chinese accounting rules but its margins fall short of the 18 per cent return on sales at Yale.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
Benson Crispe	31.2 (35.7)	0.747 (0.72)	11 (25.3)	nil	nil	nil	nil	nil
Bowmaker	2.07 (1.72)	0.225 (0.223)	20.4 (19.7)	4.5	July 1	4.5	4.5	2.95
Flying Flanery	26.1 (14.7)	2.84 (1.82)	10.85 (7.88)	2.7	3	2.7	2.7	12
Hanson	3,278 (3,155)	282 (272)	3.9 (4.1)	14.2	Apr 9	14.2	14.2	19.5
Lloyds Abbey Life	2,620 (2,394)	421.5 (322.6)	39 (29.8)	1.25	May 3	1.25	1.25	1.5
Verden	52.6 (30.2)	9.14 (7.39)	7.81 (7.1)	1.25	May 3	1.25	1.25	1.5
Investment Trusts	NAV	Attributable Earnings (£m)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Engle	6 mths to Dec 31	116.34 (103.84)	0.132 (0.264)	0.46 (0.53)	1.5	1.5	1.5	1.5
F&C Income Growth				0.75#	Mar 29	0.7	0.7	3.25
Fukerim				2.65#	Mar 29	2.65	2.65	8.95
Schwabert Split	Yr to Jan 31			2.15	Mar 29	2.1	7.85	7.5
Scottish American	Yr to Dec 31	190.5	(171.4)	12.5 (10.9)	5.8 (4.86)	1.27	1.22	4.82
Upstream	Yr to Dec 31	780.14	(694.43)	0.696 (0.553)	17.4 (14.06)	15	15	13

Earnings shown basic. Dividends shown net. #Gross. Figures in brackets are for corresponding period. *Comparatives restated. #After exceptional charge. #In increased capital. #Ain stock. #Third interim, makes 2.25p to date. #Third interim, makes 5.45p to date.

LIG restructures with German sale

The disposal programme at London International Group, the healthcare products and condoms manufacturer, has taken a further step with the sale of Planur, a German hair-care brand, to Gaba International of Switzerland for DM3.2m (£1.4m) plus stock.

The move forms part of a substantial restructuring, announced yesterday, of LIG's

German consumer business, based at Mönchengladbach. Up to 57 jobs are expected to be lost but costs of about £4m have already been provided for in the group's accounts.

Mr Nick Hodges, chief executive, said the new arrangements will transfer sales and distribution of the product range to Klosterfrau of Cologne.

Attempt to demystify and simplify buy-backs

The arcane rules surrounding share buy-backs in the UK have always been the subject of heated debate. Reuters, the financial information and news group, has sparked a new discussion about the issue with a proposal that the regulations be simplified.

The group, which disclosed on Tuesday that it was examining ways to reduce its £350m cash pile, has called for share repurchases to be subject to capital gains tax, rather than advance corporation tax, which is the current procedure.

In an article published at the end of last year, Mr Rob Rowley, finance director, argued that this would help "demystify" the issue and make share buy-backs more "straightforward". This would follow US practice, where stock repurchases are more common.

Reuters is no stranger to the complexities of the UK regulations, having bought back £350m worth of shares in 1993. However, Mr Rowley believes that a repeat exercise would now be "impractical".

He believes there is too much confusion surrounding the tax credit linked to a company's ACT which tax-exempt shareholders receive from buy-backs.

The Inland Revenue believed that some institutions had been abusing the system by buying shares with the sole purpose of selling them to the company and claiming the tax credit.

So instead of awarding blanket clearance for buy-backs to companies, as it did for Reuters, it now examines each shareholder's position on a case-by-case basis.

Geoff Dyer reports on Reuters' proposals to change regulations



Peter Job, chief executive: examining ways to reduce cash pile

The current rules might result in illiquid trading of a company's stock after a repurchase, because some institutions might not sell shares for fear of attracting the attention of the Inland Revenue.

Reuters' view has some support in the City. One US banker argued: "The confusion in the present system prevents companies adopting a more efficient capital structure." He added that the difficulties surrounding buy-backs can lead companies to make unwise acquisitions, instead of returning the cash.

The Inland Revenue said yesterday that Mr Rowley's proposal was not a new one and it would "bear it in mind".

However, the idea has many opponents too. As it would involve institutions losing the ACT tax credit, they are reluctant to support it.

Some bankers suggested that although the rules were not always clear, the market had become more confident about buy-backs after several had been launched by regional electricity companies.

"In practice, anyone who bought shares before the announcement of a repurchase is absolutely safe," said one banker. Only purchases after the announcement would have to be justified to the tax authorities.

Reuters' situation is further complicated by its own tax position. Analysts forecast that the group has recoverable ACT of about £22m, against £92m it had before its last buy-back. This has led some to speculate that any cash distribution could be lower than last time.

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Table listing various trusts and their financial data, including names like Abbey Life and others.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies and their financial data.

OTHER FINANCIAL - Cont.

Table listing other financial companies and their financial data.

PROPERTY - Cont.

Table listing property companies and their financial data.

SUPPORT SERVICES - Cont.

Table listing support services companies and their financial data.

AIM - Cont.

Table listing AIM companies and their financial data.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts and their financial data.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies and their financial data.

INVESTMENT COMPANIES

Table listing investment companies and their financial data.

OIL INTEGRATED

Table listing oil integrated companies and their financial data.

PHARMACEUTICALS - Cont.

Table listing pharmaceutical companies and their financial data.

RETAILERS, GENERAL - Cont.

Table listing general retailers and their financial data.

TRANSPORT

Table listing transport companies and their financial data.

AMERICANS

Table listing American companies and their financial data.

CANADIANS

Table listing Canadian companies and their financial data.

SOUTH AFRICANS

Table listing South African companies and their financial data.

Advertisement for Visible trade set to grow on 7th March 1996, featuring a PictureTel logo and contact information for Gibson Hall.

LEISURE & HOTELS

Table listing leisure and hotel companies and their financial data.

OTHER FINANCIAL

Table listing other financial companies and their financial data.

PROPERTY

Table listing property companies and their financial data.

SUPPORT SERVICES

Table listing support services companies and their financial data.

WATER

Table listing water companies and their financial data.

AIM

Table listing AIM companies and their financial data.

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Prices for the London Share Service delivered by FT Stock, a member of the Financial Times Group. Includes details on company classifications, data sources, and contact information.

Vertical advertisements on the left margin, including 'Abbey Life', 'board design', 'TECHNOLOGY', 'FUTURES LIMITED', 'SECRET', 'ANALYSIS LTD', and '\$32'.

Handwritten Arabic text at the top of the page: 'مكة امنه لاصح'

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda funds including Fidelity Currency Funds Ltd, Fidelity International Growth Fund, and others with columns for fund name, price, and change.

BERMUDA (REGULATED)**

Table listing regulated Bermuda funds including Bermuda Investment Management Ltd, Bermuda Investment Services Ltd, and others.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey funds including ANZ Investment Managers (Guernsey) Ltd, ANZ Investment Services Ltd, and others.

GUERNSEY (REGULATED)**

Table listing regulated Guernsey funds including ANZ Investment Managers (Guernsey) Ltd, ANZ Investment Services Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland funds including ANZ Investment Managers (Guernsey) Ltd, ANZ Investment Services Ltd, and others.

IRELAND (REGULATED)**

Table listing regulated Ireland funds including ANZ Investment Managers (Guernsey) Ltd, ANZ Investment Services Ltd, and others.

Table listing various international funds including Royal Bank of Canada US Fd Mgrs Ltd, Guinness Flight Global Funds Plc, and others.

GUERNSEY (REGULATED)**

Table listing regulated Guernsey funds including ANZ Investment Managers (Guernsey) Ltd, ANZ Investment Services Ltd, and others.

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IRELAND (REGULATED)**

Table listing regulated Ireland funds including ANZ Investment Managers (Guernsey) Ltd, ANZ Investment Services Ltd, and others.

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GUERNSEY (REGULATED)**

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IRELAND (REGULATED)**

Table listing regulated Ireland funds including ANZ Investment Managers (Guernsey) Ltd, ANZ Investment Services Ltd, and others.

Table listing various international funds including Chemical Ireland Fund Administrators Ltd, Chemical Ireland Fund Administrators Ltd, and others.

GUERNSEY (REGULATED)**

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Table listing regulated Ireland funds including ANZ Investment Managers (Guernsey) Ltd, ANZ Investment Services Ltd, and others.

Table listing various international funds including Archibute Global Funds Ltd, Archibute Global Funds Ltd, and others.

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IRELAND (REGULATED)**

Table listing regulated Ireland funds including ANZ Investment Managers (Guernsey) Ltd, ANZ Investment Services Ltd, and others.

Table listing various international funds including John Goveitt Management (Jersey) Ltd, John Goveitt Management (Jersey) Ltd, and others.

GUERNSEY (REGULATED)**

Table listing regulated Guernsey funds including ANZ Investment Managers (Guernsey) Ltd, ANZ Investment Services Ltd, and others.

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Table listing various international funds including Anglo Star - Global Assets Fund, Anglo Star - Global Assets Fund, and others.

GUERNSEY (REGULATED)**

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Table listing regulated Ireland funds including ANZ Investment Managers (Guernsey) Ltd, ANZ Investment Services Ltd, and others.

Table listing various international funds including Mifco Capital Management, Mifco Capital Management, and others.

GUERNSEY (REGULATED)**

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مکان الکترونیک

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FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4378 for more details.

Table of fund prices and performance data, including columns for fund name, price, and change.

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES: Information regarding fund management, including details on fees, charges, and performance metrics.

Vertical advertisements on the left margin, including 'Abbey', 'board resign', and 'ANALYSIS LTD'.

LONDON STOCK EXCHANGE

MARKET REPORT

Equities sustained by more takeover speculation

By Steve Thompson, UK Stock Market Editor

An element of doubt and nervousness ahead of the Scott report into the "arms to Iraq" affair and an early sell-off on Wall Street left London's equity market marginally easier on balance yesterday.

which drove the FT-SE Mid 250 index to another record finish, up 1.4 at 4,161.7.

Among a host of bid stories circulating in the City's trading rooms was one that Rentokil was about to bid for BET. The services group, that one of the UK's big property groups was putting together a break-up bid for P&O; and that a rationalisation of Lloyds Abbey Life and TSB Life by Lloyds TSB, which has a 62 per cent stake in Lloyds Abbey Life, was imminent.

houses was telling its clients that the insurance sectors, and particularly the composites, would be the next area of the market to attract the attention of predators. Dealers said London was due a down day and would probably lose ground today if Wall Street remained lower after its weak opening yesterday.

A senior marketmaker at one of the big European securities houses said he expected Wall Street to extend its astonishing upside performance and for London to move up in tandem. "There will be a big correction at some point, but there

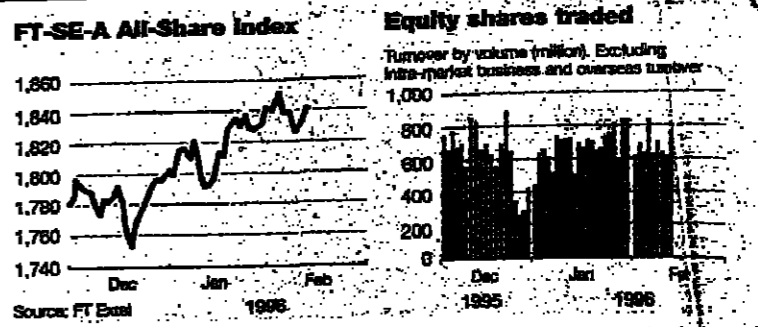
is still big pent-up demand for stocks here and in New York." The trading session began with stocks opening in good form and the FT-SE 100 up more than five points. But a poor opening by gilts, which were pressured by weak German bonds, began to unsettle equities which never really recaptured their early sparkle.

A raft of economic data saw relatively encouraging numbers on unemployment average earnings and unit wage costs, while the Bank of England's quarterly inflation report included, as expected, a downward revision of inflation expectations. The Bank now expects inflation to drop below 2.5 per

cent in the next two years. The economic news had little impact on the stock market, which awaited official inflation figures for January, due this morning, and the Scott report which has cast a shadow over the market for some time.

With the Dow Jones Industrial Average down some 30 points an hour after its opening, London struggled towards the close. Turnover came in at a slightly disappointing 739.4m shares, with activity in three stocks, BET, Hanson and Lasmo, accounting for almost 10 per cent of the total.

Retail business on Tuesday topped the £2bn mark.



Indices and rates table with columns for Index Name, Value, and Change. Includes FT-SE 100, FT-SE Mid 250, FT-SE A 350, FT-SE A All-Share, and FT-SE A All-Share yield.

Equity shares traded table with columns for Index Name, Value, and Change. Includes FT Ordinary Index, FT-SE A Non Fin p/e, FT-SE 100 Put Mar, FT-SE 100 Put Jun, and Long gilts/equity yield ratio.

Best performing sectors table with columns for Sector, Change, and Index. Includes Oil Exploration, Media, Banks, Retail, Health Care, and Life Assurance.

Worst performing sectors table with columns for Sector, Change, and Index. Includes Tobacco, Household Goods, Food Producers, Electricity, and Insurance.

Takeover spotlight on BET

Rumours linking Rentokil with the takeover of BET flared out into the open following sharp movements in the companies' shares and an upsurge in BET trading volume to the second highest on record.

The two groups, both service industry heavyweights, have long been subject to bid speculation, but yesterday the City takeover specialists got the bit firmly between their teeth. BET turnover shot up to 28m shares, the heaviest day's trading for five years.

BET was the day's fastest rising FT-SE Mid 250 stock, adding 10 1/2 at 150p for an overall improvement since December of 25 per cent. Rentokil fell back 4 to 382 1/2 up in 2.1m traded.

The two businesses have significant overlaps. One analyst said yesterday: "It could be a case of strong management chasing what has long been seen as management shortcomings at BET."

and the announcement was a reminder that the oil majors are "bursting with cash", according to one analyst.

It came on the back of full-year figures from BP, which also attracted comment about the company's heavy amounts of spare cash following a period of strict cost-cutting and recovery.

Finally, Cazeno, broker to the company, was said to have issued a buy recommendation. Lasmo rose 7 to 17 1/2, the biggest percentage gain in the Footsie. However, it was still down from the level reached three weeks ago and well below its 480p peak in 1990.

Enterprise was also heavily dealt, gaining 11 at 379p on volume of 4.7m shares.

Officially, the BZW appointment was said to stem from P&O's needs to beef up investor relations. BZW joins Panmure Gordon as P&O's joint handlers.

Lloyds Abbey Life shares responded to a 31 per cent rise in full-year profits with a gain of 18 to 506p.

Analysts raised estimates for the current year and showed signs of becoming more enthusiastic on the stock. Mr David Nisbet of NatWest Securities increased his profits forecast by 25m to 540m after the figures showed underlying profits growth of 10 per cent against his forecast of 5 per cent.

There was also speculation that Lloyds TSB might resolve the conflict of interest between the TSB and Lloyds Life assurance operations by having off its Abbey Life and Bowmaker

arma. Lloyds TSB, which owns more than 60 per cent of Abbey, and which reports its own figures tomorrow, rose 7 1/2 to 335p.

Insurance broker Oriel jumped 39 to 188p on speculation about a possible agreed bid from Aon at between 225p and 250p a share. Oriel said it had received tentative approaches but no formal offer.

Shares in Anglo-Dutch consumer group Unilever fell 17 to 123p in busy trading of 4.2m, amid fears of a detergent price war following reports that its global rival Procter & Gamble had launched a price war against own label rivals.

Reports of P&L's price war against own label rivals hit McBride, the own-label household products group floated last July which issued a profits warning last month.

well received full-year profits that have prompted a range of forecast upgrades by analysts.

Pannure Gordon is believed to be at the top of the range with a 1996 forecast of 235m and 277m for 1997. Henderson Crosthwaite has raised its current year forecast by 20m to 257m and next year's by 50m to 275m.

Several radio stocks were boosted by a recommendation from Panmure Gordon. Capital Radio, seen as the media team's core buy gained 5 to 61 1/2 up USM-quoted GWR jumped 15 to 21 1/2.

Dealing for a US client was cited as the reason for heavy volume of 15m shares in retailer Sears. The shares eased a half-penny to 94 1/2p.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LFFE) £25 per full index point table with columns for Open, High, Low, and Change.

FT-SE MID 250 INDEX FUTURES (LFFE) £10 per full index point table with columns for Open, High, Low, and Change.

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point table with columns for Call and Put prices for various months.

EURO STYLE FT-SE 100 INDEX OPTION (LFFE) £10 per full index point table with columns for Call and Put prices.

MARKET REPORTS

Peter John, Joel Kibazo, Jeffrey Brown.

TRADING VOLUME

Major Stocks Yesterday table with columns for Stock Name, Volume, and Change.

LONDON RECENT ISSUES: EQUITIES

Table listing recent equity issues with columns for Issue Name, Price, and Volume.

FT GOLD MINES INDEX

Gold Mines Index table with columns for Index Name, Value, and Change.

FT-SE Actuaries Share Indices

Table showing FT-SE Actuaries Share Indices with columns for Index Name, Value, and Change.

FT-SE Actuaries All-Share

Table showing FT-SE Actuaries All-Share indices with columns for Index Name, Value, and Change.

Hourly movements

Hourly movements table showing index values at 9.00, 10.00, 11.00, 12.00, 13.00, 14.00, 15.00, and 16.00.

FT-SE Actuaries 350 Industry baskets

Table showing FT-SE Actuaries 350 Industry baskets with columns for Basket Name, Value, and Change.

Additional information on the FT-SE Actuaries Share Indices

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from FT-SE International Ltd. The Podium, St. Albans House, 2 Fins Street, London, EC2Y 8EA.

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The series of tabloid supplements, sponsored by United Airlines, comprises 19 modules ranging from Marketing to Business Ethics, Strategic Management to Organisational Behaviour and Leadership to Finance.

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مكتبات الامم المتحدة

WORLD STOCK MARKETS

EUROPE section containing stock market data for Austria (Feb 14/Sec), Greece (Feb 14/Dra), Norway (Feb 14/Kron), Italy (Feb 14/Lira), Poland (Feb 14/Zloty), and Switzerland (Feb 14/Frc).

EUROPE section containing stock market data for Denmark (Feb 14/Kr), Germany (Feb 14/Dm), France (Feb 14/Frc), Finland (Feb 14/Mrk), and the Netherlands (Feb 14/Gld).

EUROPE section containing stock market data for Portugal (Feb 14/Escudo), Spain (Feb 14/Pes), Turkey (Feb 14/Lira), and various Pacific markets including Japan (Feb 14/Yen), New Zealand (Feb 14/NZ\$), Singapore (Feb 14/S\$), and South Korea (Feb 14/Won).

EUROPE section containing stock market data for South Africa (Feb 14/Rand), Australia (Feb 14/Aust\$), and various Asian markets including Thailand (Feb 14/Bat), Taiwan (Feb 14/TW\$), and Hong Kong (Feb 14/HK\$).

AFRICA section containing stock market data for South Africa (Feb 14/Rand) and various Middle Eastern markets including Israel (Feb 14/S\$), Jordan (Feb 14/Din), and Kuwait (Feb 14/Din).

US INDICES section containing data for Dow Jones, S & P 500, NASDAQ, and various international indices like Nikkei 225, Hang Seng, and others.

INDEX FUTURES section containing data for S&P 500, Dow Jones, and various international futures contracts.

TOKYO - MOST ACTIVE STOCKS: Wednesday, February 14, 1996. Table listing top-performing stocks in Japan with columns for stock name, closing price, and change.

Rockwell Avionics advertisement: 'In Europe's crowded skies, Rockwell Avionics plays a key role in promoting safety and efficiency'. Includes the Rockwell logo and list of services: Automation, Avionics, Telecommunications, Defense Electronics, Aerospace, Automotive, Graphic Systems.

Handwritten note in a box at the top right of the page: 'WORLD STOCK MARKETS'.

Vertical text on the left edge of the page, partially cut off, mentioning 'sh & buys' and 'maker'.

Vertical text on the left edge of the page, partially cut off, mentioning 'handbook' and 'professionals'.

Vertical text on the left edge of the page, partially cut off, mentioning 'MOTOR INSURANCE' and 'HANDBOOK'.

Vertical text on the left edge of the page, partially cut off, mentioning 'Japan, Limited' and 'chios'.

4 pm close February 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns with headers like 'High', 'Low', 'Open', 'Close', and 'Change'. Includes sub-sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

BEFORE GUEST. CONRAD INTERNATIONAL BRUSSELS. When you stay with us in BRUSSELS stay in touch with your complimentary copy of the FINANCIAL TIMES.

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Continued on next page

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, change, and volume.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market listing various stocks with columns for stock name, price, change, and volume.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, change, and volume.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, change, and volume.

Advertisement for 'The Netherlands' newspaper, featuring the headline 'Have your FT hand delivered in The Netherlands' and contact information for subscriptions.

AMERICA

US markets fall back in mid-session trade

Wall Street

US shares were lower in mid-session trading yesterday, after seven straight record-breaking sessions, as technology issues slipped and the bond and currency markets were also lower, writes Lisa Branstetter in New York.

A loss for the fourth quarter, which ends on March 30. The company also stated that fourth-quarter revenues would fall below those of the third quarter.

Finance company, dropped 1 1/2% or 7 per cent to \$26 1/2 in spite of earnings of 30 cents a share, a cent ahead of estimates.

EUROPE

Milan drops 3.6% as politics turn sour

A painful end to political speculation saw MILAN tumble 3.6 per cent after Mr Antonio Maccanico, the "deeply embittered" prime minister-designate, abandoned his efforts to form a new government following two weeks of intense political negotiation.

L220 to L4,779 and Telecom Italia by L130 to L2,546. FRANKFURT punished two big blue chips and rewarded another as the Dax index shed 8.32 to an Ibis-indicated 2,437.77, and turnover fell from DM39bn to DM7bn.

FT-SE Actuaries Share Indices

Table with columns for Index, Open, 10.30, 11.00, 12.00, 13.00, 14.00, 15.00, Close. Rows include FT-SE 100, FT-SE 200, FT-SE 400, FT-SE 600, FT-SE 800, FT-SE 1000.

Babeo merely left Mr Wodnick expecting a drop in the Holzman share price today. PARIS was depressed on a number of counts, including the afternoon decline on Wall Street, and expectations that a further cut in domestic interest rates was unlikely to be seen today.

4 per cent. Its shares eased 80 centimes to FF2363. Paribas receded FF5.50 to FF2251, with reports circulating that it might report a loss for 1995 of up to FF4bn.

Mexico higher in early trading

Mexico City was higher in early trade as bargain hunting followed the market's recent declines. Brokers said that the rise was technical, and that the market was being supported by foreign institutions.

ADRs took a 6.6 per cent fall in early trade on Wall Street. On Tuesday YPF announced preliminary earnings of \$793m in 1995, compared with a \$538m profit in 1994.

The Nikkei average rebounded for the first time in three trading days; investors were encouraged by New York's resilience in spite of weak semiconductor demand.

ASIA PACIFIC

Sydney spurred to two-year high by bid news

Tokyo

The Nikkei average rebounded for the first time in three trading days; investors were encouraged by New York's resilience in spite of weak semiconductor demand.

ping HK\$1.55 on Tuesday reports of a downgrade. HK Telecom, which dipped 5 cents initially on news that the government would require potentially time-consuming licensing for its planned video on demand service, subsequently bounced 20 cents to HK\$15.95.

lation in the financial sector ahead of the country's entry into the OECD. The composite index rose 11.80 to 869.98 after a strong showing among financial issues.

deal, added \$75 to \$23,500. BOMBAY finished higher and the BSE-30 index picked up 53.16 to 3,561.00, having run into strong resistance as it attempted to pierce the 3,600 level.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Table with columns for Market, No. of stocks, Dollar % Change, Local Currency % Change. Rows include Latin America, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela, Asia, China, South Korea, Philippines, Taiwan, India, Indonesia, Malaysia, Pakistan, Sri Lanka, Thailand, Euro/Mid East, Greece, Hungary, Jordan, Poland, Portugal, South Africa, Turkey, Zimbabwe, Composite.

Indices are calculated at end-of-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1980-100 except those noted which are (Feb 1 1991; Dec 31 1990; Dec 31 1989; Dec 31 1988; Dec 31 1987; Dec 31 1986; Dec 31 1985; Dec 31 1984; Dec 31 1983; Dec 31 1982; Dec 31 1981; Dec 31 1980).

Following a two-week rally which pushed share prices up to record levels on the Caracas stock exchange, some profit-taking has been evident in recent days, writes Raymond Collett in Caracas.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

Table with columns for Regional Markets, US Dollar, Day's Change, Pounds Sterling, Yen, DM, Local Currency, Gross Div. Yield, US Dollar Index, Sterling Index, Yen Index, DM Index, Currency 52 week High, 52 week Low, Year ago (approx). Rows include Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, United Kingdom, USA.

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Advertisement for 22 Palace Court London W2. Features a large image of the building, text describing it as 'The Perfect Blend of Quality & Location', and contact information for the sales office: 0171 792 2272.

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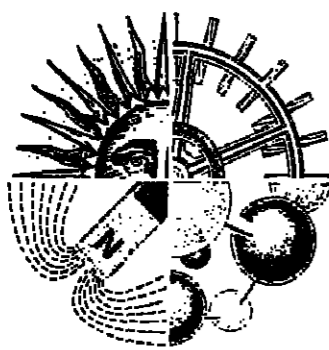
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TECHNOLOGY

Worth Watching · Vanessa Houlder



Understanding leptin's ways

The understanding of the genetic factors underlying obesity has moved forward with new research into the workings of leptin, a protein that signals to the brain to stop eating...

Fuel vapouriser catches cold

Researchers at NEL, the former National Engineering Laboratory based in Glasgow, have designed a fuel vapouriser that could reduce the exhaust emissions from engines started up in cold conditions.

The vapouriser, which is designed for gasoline engines with multi-point fuel-injection systems, consists of a conventional fuel injector and a heated tube which evaporates the liquid fuel at temperatures between 90°C and 110°C.

Quick way to clean water testing

A simple, quick method for performing chemical analysis on contaminated water has been devised by scientists at the Eindhoven University of Technology in the Netherlands.

environmental legislation. Traditionally, pesticide levels in water are determined using a slow labour-intensive process that involves the extraction of the organic contaminants from a litre sample of water...

The new process requires water samples of just a few millilitres, so cutting down on transport and storage. It also requires 100 times less organic solvent than the conventional procedure.

Netherlands Organisation for Scientific Research, Netherlands, tel 703440713, fax 703880971.

Transponder takes on thieves

An electronic tagging system based on a tiny radio transponder is the latest weapon in the battle against computer chip theft. The transponder, which is small enough to be attached to a microchip, is placed underneath or inside valuable objects...

It will activate an alarm when it comes within a few metres of a very low frequency radio signal that can be located near the door of the office building. The device, called Asset Tracker, has been launched by a London-based company, Tag'N'Track.

Seed collar keeps plants in line

The "timed release" technology devised by the pharmaceutical industry to control the release of drugs has been adapted for agriculture.

PCM Group, a Norfolk-based research company, has developed a seed encapsulation system which incorporates fertiliser, pesticide and fungicide. It believes that the capsules will provide a quick start to germination and will halve the amount of agricultural chemicals needed by each seed because it will have its own dedicated supply.

It has designed a capsule that can be inserted into the potato seed tuber just before planting, which is capable of bringing the crop forward by two weeks. Tests are also being carried out on the use of a plastic collar at the base of trees, shrubs and vines to provide nutrients.

PCM Group, UK, tel (0)1533 811588; fax (0)1533 810342.

Michiyo Nakamoto on the latest generation of camcorders which are taking Japan by storm

Digital world

As consumer electronics manufacturers have caught on to the excitement over multimedia and embraced the benefits of digital technology, a growing number of their products which used to be analogue are going digital.

The camcorder is no exception. Several Japanese consumer electronics makers including Sony and Matsushita have launched digital camcorders claiming superior picture quality.

Although opinion differs over whether digital video offers better picture quality than analogue video, as far as the statistics go the digital version has an edge over its analogue cousin.

Digital video boasts horizontal resolution of more than 500 lines, compared with more than 400 for S-VHS, the highest grade analogue video. Digital camcorders offer the further advantage that unlike analogue ones there is no loss of quality through reproduction.

The high quality of digitally recorded video is maintained no matter how many times it is dubbed and re-dubbed. Since the sound is also digitally recorded, the same is true for the audio portion of a digital tape.

But what gives the digital camcorder a distinct edge over analogue versions in the age of multimedia is the fact that since they use the same digital language they are interoperable with PCs - one of the key terminals for multimedia services.

Video footage taken with a digital camcorder can be edited on the screen of a PC using special effects such as changing a particular section of video footage from colour to black and white. Or video shots can be combined with data stored in the PC to create unique documents complete with photographs for visual effect.

Among the expanding range of digital camcorders available, JVC's Digital Cybercam - known as the Pocket Movie in Japan - stands out for its small size, which is unmatched by any of its competitors.

The Digital Cybercam is about the size of a 35mm camera, and weighs just 1.1lb (503g) including tape, battery and handstrap. JVC says it is the smallest and lightest camcorder in the world and weighs just half as much as other camcorders on the market.

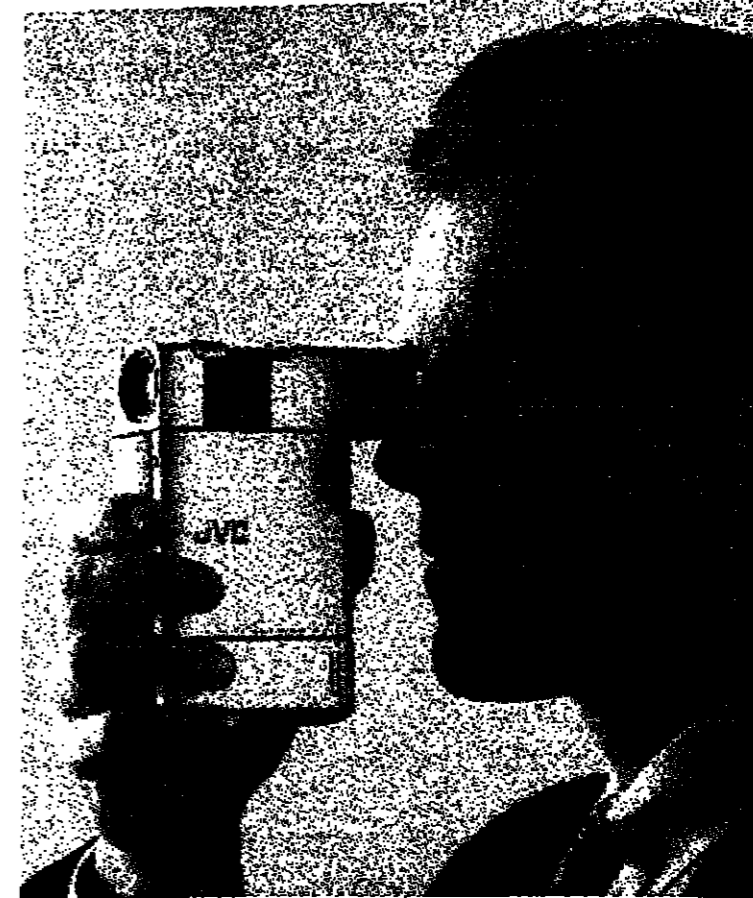
JVC's ability to shrink the size of the camcorder without significantly sacrificing quality stems from its use of laser drill technology to put more integrated circuits on a printed circuit board than was previously possible.

Integrated circuits are usually mounted on a printed circuit board by using a mechanical drill. Laser drilling, which is still in the development phase at most companies, makes it possible to drill holes more closely together and thus to pack more integrated circuits on to a single printed circuit board.

JVC is the first company to have launched a commercial product using laser drilling technology, the company claims. This technology enabled it to pack 1,005 components on just two printed circuit boards. Done in the conventional way, that number of components would take up about six printed circuit boards.

Although it is small, the Digital Cybercam performs more functions than most people will probably be able to use. Close-up shots can be made by using an optical zoom - much like a regular zoom lens on conventional cameras - which zooms up 10 times. With the use of the digital zoom, however, objects can be enlarged up to 100 times, although this entails a loss of picture quality.

The Digital Cybercam also doubles as a camera, providing snapshots complete with a white border. However, a separate colour printer



'Pocket Movie': JVC's Digital Cybercam is smaller and lighter than its competitors

is necessary to print the photos, a service which conventional photo labs do not provide. The Digital Cybercam has been a hit in the Japanese market since it was launched in early December and JVC has had to increase pro-

duction from 10,000 units a month to 15,000 to meet demand. It plans to raise production to 20,000 this spring when it will introduce the camcorder to the US market. In Europe it will be available by the end of the year.

A PC arcade near you

Andrew Baxter looks at sophisticated graphics

When it comes to game playing, the personal computer has one thing going for it - it does not swallow coins. But it cannot match the realism and three-dimensional graphics of those pocket-empting arcade game machines.

The PC is catching up, however, and innovations in game-playing and visualisation products are one of the reasons for the strong growth of the multimedia PC market. Further expansion seems likely following the recent introduction of 3D "multimedia accelerators" which aim to bring highly realistic, arcade-level graphics to the PC.

"We believe that this is the year of 3D on the PC," says William Schroeder, chief executive of US-based Diamond Multimedia Systems. "The PC will be the next logical games platform."

Late last year, the San Jose company launched its Diamond Edge 3D multimedia accelerator, which is aimed at providing the kind of

immersive, interactive gameplay that arcade fanatics crave, on a "plug and play" package for a PC running Windows 95, the new Microsoft operating system.

The introduction of 3D multimedia accelerators could transform game-playing in the home, and provide an alternative platform to that of the dedicated games consoles that are plugged into TV sets. These are mainly 2D, although the latest 32-bit machines, such as the Sega Saturn and Sony PlayStation, offer 3D graphics.

According to Schroeder, the PC could capture an increasing share of the video games market, if a 3D multimedia accelerator was added, because of its other advantages over consoles: the PC is a multipurpose

machine, is based on open standards rather than a closed, proprietary system, and its performance for a given price tends to rise, which is not the case for games consoles.

Significantly, Japanese-based Sega was involved in the collaboration that helped produce the Diamond accelerator, and its popular Virtua Fighter "beat-em-up" game can be played on the PC with it, using Sega Saturn control pads.

Apart from Diamond's Silicon Valley neighbour Nvidia, which designed the 3D architecture for the multimedia accelerator, the other participant was Europe's SGS-Thomson Microelectronics, which produced the chip that controls it. The STG 2000, introduced last

year, is the first integrated multimedia accelerator chip for the consumer PC, meaning that it combines photo-realistic 3D graphics, video and high-fidelity audio on a single chip. In contrast, current multimedia PCs use separate subsystems for graphics, audio and video, which increases the cost and can create compatibility problems.

Philipppe Geyres, general manager of the semiconductor supplier's programmable products group, predicts strong growth for the STG 2000 and its successors, which are likely to have added capabilities. By the end of this year, he predicts, the STG 2000 will be sold directly to PC manufacturers, and by next year it could be on the motherboard - the main circuit board - of PCs.

Schroeder says nearly 100,000 Diamond Edge 3Ds have already been sold in the US and Japan, mainly to the aftermarket but including some sales to original equipment manufacturers. There are two versions, priced at \$249 (£166) and \$299 in the US.

The advent of 3D multimedia accelerators does not, however, spell the end of dedicated game consoles: at current prices, a PC with the recommended hardware specification for running a 3D multimedia accelerator - a Pentium processor, 16MB of system memory - could cost four to five times as much as the latest games console, even without the accelerator.

Although PC sales are growing rapidly, the installed base of TVs is still larger than that of PCs, and the two markets could co-exist. And PCs with multimedia accelerators could be more of an opportunity than a threat for console producers if, like Sega, they can supply the software.

Advertisement for easynet Group PLC, 'The Internet Access Provider', stating they are joining the Alternative Investment Market. Includes contact info: 0181 478 1234.

NOW YOU'RE REALLY READY FOR BUSINESS.

Advertisement for the 1996 Financial Times Diary, showing the diary cover and listing features like 'Over 100 pages of useful business and travel information'.

Advertisement for the Office of Water Services (OFWAT), including 'NOTICE OF PROPOSALS' and a table of prices for water supply in various regions.

Additional advertisement for the Financial Times Diary, providing contact information and a list of prices for different editions.

Handwritten Arabic text: مكرامن الجاهل

ARTS

Opera/Richard Fairman

'Aida' rethought

With humour and realism Josie in each episode of The House... BBC's fly-on-the-wall series about the Royal Opera House.

It was left open to Nina Terenteva, returning as Amneris, to walk off with the evening. Once past some out-of-time singing early on, she rose to a powerful delivery of the Judgment Scene.

Recital/Antony Bye

Amanda Roocroft

Fears that Amanda Roocroft, following the birth of her first child, might cancel her Wigmore Hall recital, as she had done her Covent Garden Arabella.

For a soprano who has leapt to attention on the strength of her Mozart roles - Pamina at Covent Garden, Fiordiligi at Glyndebourne and Munich and for DG under Gardiner following a successful European tour, and a forthcoming Donna Elvira at the Met - Roocroft's voice is surprisingly full and vibrant.



Harvey Keitel (right) and Maïa Morgenstern in Theo Angelopoulos's trawl through Balkan history, 'Ulysses' Gaze'

Cinema/Nigel Andrews

Symbol-laden odyssey

denly been distracted by something close, real, regenerative and profound. Ulysses' Gaze becomes a great film at the very moment that it stops trying to be a great film.

Oliver Parker's Othello could be retitled 'Iago's Gaze.' Kenneth Branagh as Shakespeare's villain makes more sense of the bard's sounds than anyone else in this poly-accent cast which includes a French Desdemona, Italian Doge and unidentifiable Benelux Brabantio.

Elsewhere, Laurence Fishburne's Othello grapples with the verse like a man falling under an avalanche, before emerging for a creditable last act. Irene Jacob gives us a touching if tongue-twisted Desdemona.

A hundred years after the birth of cinema, the world is still undecided on whether an active fantasy life is good or bad. Neither Jumanji nor A Little Princess deal directly with the psychological fall-out of movies.

real animals and catastrophes, from charging rhinos to monsoons and earthquakes, appear at the drop of the dice? And what ever is Robin Williams, comedy's Mr. Motor-mouth, doing in a story designed to keep robbing its characters of the power of speech?

Ulysses' Gaze Theo Angelopoulos

Othello Oliver Parker

Jumanji Joe Johnston

A Little Princess Alfonso Cuaron

As absurdity has its own momentum. After dressing for early reels in a Robinson Crusoe ensemble with off-the-shoulder banana leaves, Williams spends late reels leaping from peril to peril in a suburban house turned neo-Sumatran jungle.

Logically, we wonder if he and his infant co-players need to keep playing this dangerous game at all. But what rules both game and movie is not logic but the audience's imaginative greed.

seign of headmistress Eleanor Bron, she is consorting with rats and starvation, from which her main escape is into gilded fantasy imaginings from the Ramayana.

The week's two no-go areas are A Bed of Roses and The Peckinpaw. The first (PG, Michael Goldenberg) is a TV movie above its station. Riddled with schmaltz, it stars Christian Slater and Mary Stuart Masterson as a soft-edged florist and hard-nosed business executive, respectively, who meet and melt in modern New York.

The second (U) is a feature-length cartoon from Don Bluth, with Barry Manilow scoring the love tunes for ickily anthropomorphic penguins. If children must be taken somewhere, take them to Jumanji or A Little Princess.

Continues at the Nuffield Theatre, Southampton to March 2 (01703 671771).

Theatre/Sarah Hemming

Dead White Males

that great classics might reveal truths about human nature and explodes all arguments to that effect with a few well-placed bits of jargon.

His arguments fall on fertile ground in Angela, a sweetly naive first year student, who is soon painting to join him in the cause of essential feminism and multi-culturalism and free herself from her male-dominated manufactured reality.

greater threat to her than any of the dead white males he so despises. Chauvinism, she learns, is a snakey operator.

Williamson leaves us in no doubt as to which way he would have us jump in the great debate. All he has to do is wheel on a couple of scenes from Shakespeare that touch at the heart of human experience, and Dr Swain's arguments melt like ice in a fire. Given this, it is a pity that the play does not dig deeper.

His characters are sketched and so loaded that they make the arguments less resonant than they could

be. Grandad practically has 'heart of gold' stamped on his forehead, while Swain oozes so much slime you expect to see a trail behind him. Meanwhile poor old Shakespeare seems to have left his talent for witty insight the other side of the grave; in the evidence of the wisdom he spouts here.

The cast play with gusto and Patrick Sandford's production is enjoyable light-hearted, although it could do with a little more polish and confidence to surf the jargon-riddled text. Jeremy Clyde is entertainingly smug as Swain, John Woodvine suitably granite-faced as Grandad, and Claire Price handles the difficult role of naive maiden well.

Continues at the Nuffield Theatre, Southampton to March 2 (01703 671771).

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 ● Norddeutsche Philharmonie: with conductor Gerard Oskamp and pianist Sergio Tiempo perform Haydn's Symphony No. 49 (La Passione), Chopin's Piano Concerto No. 1, and Dvorak's Symphony No. 9 (From the New World); 2.15pm; Feb 18

BERLIN

CONCERT Philharmonie & Kammermusikal Tel: 49-30-254880 ● I Musici di Roma: perform Vivaldi's The Four Seasons, Concerto in A major for two violins, Cello Concerto in C minor, and Concerto in D minor for two violins and cello; 8pm; Feb 18

CHICAGO

THEATRE ● Albert Theater Tel: 1-312-977-1700

● A Midsummer Night's Dream: by Shakespeare. Directed by Adrian Noble and performed by the Royal Shakespeare Company. The 19-member cast will be led by Desmond Barritt as Nick Bottom, Lindsay Duncan as Hippolyta/Titania, and Alex Jennings as Theseus/Oberon; 8pm; Feb 15 (7.30pm), 16, 17 (also 2pm), 18 (3pm)

DRESDEN

OPERA Sächsische Staatsoper Dresden Tel: 49-351-49110 ● Les Cortes d'Hoffmann: by Offenbach. Conducted by Siegfried Kurz and performed by the Sächsische Staatsoper Dresden. Soloists include Sabine Brohm, Annette Jahns and Karl-Heinz Stryczek; 7pm; Feb 17

DUSSELDORF

OPERA Opernhaus Düsseldorf Tel: 49-211-133737 ● Das Feuerwerk: by P. Burkhard. Conducted by Lucas Höfling and performed by the Deutsche Oper am Rhein; 7.30pm; Feb 17

FRANKFURT

EXHIBITION Schirn Kunsthalle Tel: 49-69-2998820 ● Expressionistische Bilder. Sammlung Filmgruppe Ahlers: around 100 paintings, drawings and prints by German expressionists from the Ahlers company collection. Including works by Beckmann, Kandinsky, Kirchner, Macke, Nolde

and Schmidt-Rottluff; to Feb 18

HAMBURG CONCERT Musikhalle Hamburg Tel: 49-40-346920 ● Takacs Quartet: perform string quartets by Haydn, Bartók and Schubert; 8pm; Feb 16

LEIPZIG

OPERA Oper Leipzig Tel: 49-341-1261261 ● Flames: by Schulhoff. Conducted by Jörg Kruger and performed by the Oper Leipzig. Soloists include Annelott Damm, Linda Watson, Elliot Pelay and Tomas Möwes; 7.30pm; Feb 16

LONDON

AUCTION Bonhams Tel: 44-171-3833930 ● Fine & Rare Vintage Fountain Pens & Pencils. Part 1 of the Collection of Andreas and Jenny Lambros: sale of the collection built together over the last 42 years by Andreas Lambros, an international authority on fountain pens, and his wife Jenny. The collection serves as an illustration of the diversity and beauty of the fountain pen, including an example of each premier model; 10am; Feb 16

MILAN

THEATRE Teatro Carcano Tel: 39-2-55181377 ● Uno, Nessuno e Centomila: by Prandelli. Directed by Marco Mattioli, starring Flavio Bucci, Claudio Angelini, Stefania Barca, Pietro Montandon, Massimo Lello and Alessia Innocenti; Tue - Sat 9pm, Sun 3.30pm; to Feb 18

NEW YORK

CONCERT Avery Fisher Hall Tel: 1-212-875-5030 ● Peter Gerkin: the pianist performs works by Wolpe, Beethoven and Brahms; 3pm; Feb 18

András Schiff: the pianist performs works by Haydn and Bartók; 7.30pm; Feb 17

DANCE Royal Opera House - Covent Garden Tel: 44-171-2129234 ● The Royal Ballet perform the choreographies Rhapsody by Frederick Ashton to music by Rachmaninov and The Invitation by Kenneth MacMillan to music by Selber, and new works by Ashley Page and Matthew Hart to music by Liszt and Britten; 7.30pm; Feb 17

PARIS

CONCERT Salle Pleyel Tel: 33-1 45 61 53 00 ● Orchestre National d'Ile-de-France: with conductor Yoav Talmi and pianist Philippe Bianconi perform works by Rachmaninov, Prokofiev and Stravinsky; 8.30pm; Feb 17

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THEATRE Teatro Carcano Tel: 39-2-55181377 ● Uno, Nessuno e Centomila: by Prandelli. Directed by Marco Mattioli, starring Flavio Bucci, Claudio Angelini, Stefania Barca, Pietro Montandon, Massimo Lello and Alessia Innocenti; Tue - Sat 9pm, Sun 3.30pm; to Feb 18

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STOCKHOLM

DANCE Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300 ● Royal Swedish Ballet: perform George Balanchine's choreography Theme and Variations to music by Tchaikovsky, and Kenneth MacMillan's choreographies Pavane, to music by Fauré, and Song of the

Earth, to music by Mahler; 7.30pm; Feb 16, 17, 20, 22

STUTTGART OPERA Staatstheater Stuttgart Tel: 49-711-20320 ● Salome: by R. Strauss. Conducted by Gabriele Ferro and performed by the Oper Stuttgart; 8pm; Feb 16, 22

THE HAGUE

CONCERT Dr Anton Philipszaal Tel: 31-70-3607925 ● Residentie Orkest: with conductor Evgeny Svetlanov and soprano Olga Alexandrova perform works by Debussy, Ravel, De Falla and Chabrier; 8.15pm; Feb 17, 18 (2.15pm)

WASHINGTON

DANCE Opera House Tel: 1-202-416-4800 ● Alvin Ailey American Dance Theater: perform the choreographies Blues Suite and Cry by Ailey, and McKayle's Rainbow 'Round my Shoulder; 8pm; Feb 16

ZURICH

DANCE Opernhaus Zürich Tel: 41-1-268 6666 ● Das Zürcher Ballett: performs Beriozoff's Der Feuervogel to music by Stravinsky, Van Manan's Polish Pieces to music by Gorecki, and Bienert's Bolero to music by Ravel; 7.30pm; Feb 16

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10.00 European Money Wheel Nonstop live coverage until 14.00 of European business and the financial markets

17.30 Financial Times Business Tonight

Midnight Financial Times Business Tonight



Samuel Brittan

A revolutionary proposal

This week's Bank reassurance on the inflation target is worth as much as its warnings in 1995 that it would be exceeded unless base rates were raised

We are again at a time when different ways of viewing the economy lead to divergent prescriptions. Those who look at the UK output gap and the growth rate will advocate further base rate cuts. The continued fall in registered unemployment hides an underlying slackness in the labour market, as increasing numbers have left the active labour force or moved to part-time or temporary work. The Bank of England now accepts that output is growing at 1½ per cent per annum – well below trend – and that unemployment is still “almost certainly above its natural [equilibrium] rate”.

But those who look at money and credit are more sanguine about growth and more worried about later inflationary pressures. They look forward to future base rate increases rather than reductions – as financial markets do for periods after 1995.

The Bank of England no longer tries to explain away the near 10 per cent rise in broad money in the past year – above the official monitoring range – which results from an even larger rise in bank credit. This is convincingly attributed by Tim Congdon in the Gerrard & National Economic Review to big improvements in the banks' capital ratios, which makes them alert for loan opportunities.

Such signs of rapid monetary growth are for the moment mainly confined to the US and the UK. In continental Europe the problem is still one of inadequate monetary growth.

The Bank of England resolves these contradictory pressures by saying that there are downside risks to activity in 1996. These arise not only from domestic destocking, which it does not expect to last long, but from depressed conditions in continental markets. Further ahead, however, it worries that broad money growth will stimulate consumption too much and that the risks will be “on the upside”. But it is “too soon” to

say how serious these dangers are and when they will occur.

So far so good. But the Bank's punchline is that inflation will be “somewhat below 2½ per cent” in two years' time. This projection is, as usual, made on the absurd assumption – explicable only in terms of arcane Treasury-Bank of England diplomacy – that interest rates will remain unchanged. This is despite numerous charts and tables suggesting the changes that are in fact expected by the financial markets.

I do not want to deprive the government of a straw to clutch at in a bad week politically. But the Bank's reassurance on inflation now is worth as much as its warning that the inflation target would be exceeded last year unless interest rates were raised. (They were in fact lowered, at least once with Bank support) And the “infra-red display” showing degrees of risk around the projection is just a colourful way of hedging bets.

The Bank of England's economic director, Mervyn King,

makes no secret that he would much prefer to use the expectation of inflation implicit in the gap between yields on conventional gilt-edged securities and those on the indexed variety. Unfortunately, the eight months' lag in indexation makes it extremely difficult to estimate inflation expectations for two years ahead. Even if this difficulty could be overcome, we would just have another set of forecasts, albeit by agents of those whose money is at stake.

Some light is shed on these perplexities by a study from a former monetary adviser to the Bank of England, Professor Charles Goodhart, who looks at what five central banks did rather than what they said. Their behaviour is best explained as the reactions to actual inflation rates rather than forecasts (*Why do the Monetary Authorities Smooth Interest Rates?* Financial Markets Group, LSE).

Goodhart's main purpose, however, is to investigate the hypothesis that monetary policy is usually “too little, too

late”. In view of the lags between policy and its effects, central bank policymakers ought, he believes, to move rates by as much as necessary as soon as necessary. Instead they moved them in small steps in the same direction.

The same pattern is apparent in interest rate reductions. Indeed, one of Goodhart's possible explanations is that, because politicians and public opinion are so hostile to large and early interest rate increases, central banks hang on to high rates as long as possible in self-defence and reduce them only gradually when the pressures mount.

Another suggested explanation is that central banks hesitate to act too drastically because of the transitional output losses inflicted by a monetary squeeze. There might here indeed be a valid case for gradualism, especially if it is linked to an omitted explanation, that of diagnostic uncertainty. The size of any inflationary threat and the appropriate remedial action are almost impossible to predict at the beginning. A compromise, to avoid damaging the real economy, is to make a small move and then follow it by further moves if a serious threat really emerges.

Indeed, in view of the uselessness of forecasts when it comes to turning points, I would make the revolutionary suggestion that we should base decisions quite explicitly on the present. Of course, this does not solve all problems. How does one assess the present trend of inflation? Over the last three months, six months, a year or longer? And no one is suggesting ignoring emergencies, such as an oil shock, which are going to affect prices in future.

A decision to go by the present would involve abandoning the attempted perfectionism of the current approach. An inflation target of 2½ per cent would have to be accepted as an average, around which there would be considerable fluctuations. Moreover, a pol-

icy based on present behaviour would be foolish if it took only inflation into account. If output is growing unsustainably fast, say at 5 or 6 per cent per annum, it would surely be sensible to take restraining action now. Similarly if output were stagnating or actually falling, some stimulus could be given without waiting for inflation to fall below target.

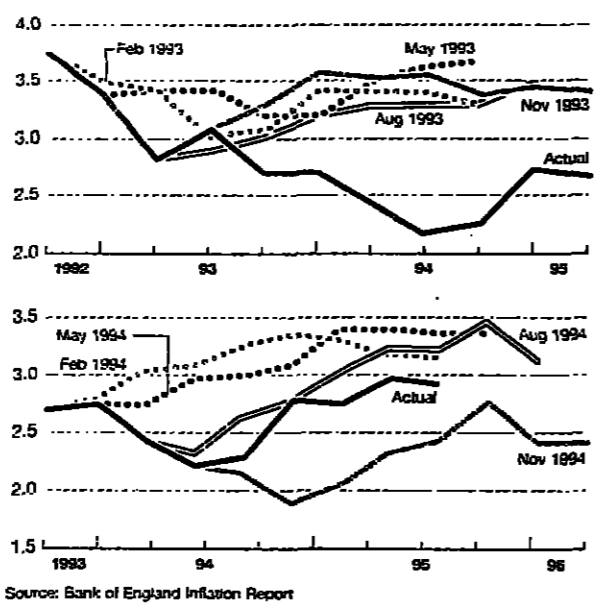
Faithful readers will realise that, taking both inflation and growth into account, gives one an objective for nominal demand. But if we are being serious it is necessary also to take into account excess demand that spills over into the balance of payments. Indeed an Economic Viewpoint of September 8 1994 showed that tracking domestic demand would have curbed many past inflations.

Similar pointers emerged from a conference held last week in Bologna by the EU statistical office, Eurostat. Professor Luc Soete of Maastricht argued, with a good deal of support, that conventional price indices overstate inflation and understate real growth by at least 2 or 3 percentage points. An important reason is the failure to measure correctly the impact of information technology.

The idea of a single correct inflation measure is a chimera. Let us assume that demand and output are growing in money terms by 5 per cent per annum. Whether this consists of 3 per cent real growth and 2 per cent inflation, or vice versa is inherently and always will be, contestable. Why not then concentrate on the 5 per cent growth objective for actual spending, which reflects the basic data before statisticians have performed their manipulations? If we can keep to this rate of advance – not every year and exactly, but roughly over an average of several years – there will be no runaway inflation. Nor will any recession get out of control. And that is about all one can expect of monetary policy.

Pessimistic inflation forecasts

RPIX inflation, Bank projections and outcome (% changes on year earlier)



Source: Bank of England Inflation Report

BOOK REVIEW Peter Martin

EMOTIONAL INTELLIGENCE by Daniel Goleman
Bantam, \$23.95

How to control your brain chemistry



Middle-aged businessmen think *Emotional Intelligence* is wonderful. It is well up the US best-seller lists; pin-striped readers peruse it on London tube trains.

The book is an odd mixture of harrowing anecdotes about social collapse in the US, a guide to the latest developments in brain chemistry, and an optimistic message that you can change your life.

A cynic might argue that *Emotional Intelligence* is the conventional man's equivalent of the self-help books so popular among women: a sort of *Men are from Mars, Women are from Venus* for the male menopausal commuter.

Its style, though accessible and friendly, is more sober than is common among self-help literature. Its scientific top-dressing (including diagrams of the brain, six appendices and 28 pages of footnotes) gives it a serious air.

The author, who trained as a psychologist and is now a science correspondent for the *New York Times*, addresses a simple question: “What factors are at play when people of high IQ flourish and those of modest IQ do surprisingly well?”

His answer: “The difference quite often lies in the abilities called here *emotional intelligence*, which include self-control, zeal and persistence, and the ability to motivate oneself.” Goleman believes that these skills can be learnt, most importantly in childhood, but to some extent throughout life.

To acquire emotional intelligence, and to teach it to others (directly through parenting, indirectly through good schools) is not merely practically beneficial, but also essential for civil order.

The brain-science part of the book describes the role of the amygdala, an area of the brain that generates emotion. The amygdala receives most of its inputs from the neocortex,

which makes sense of stimuli and decides on an appropriate response. But very strong signals – those summoning up the most powerful and basic emotions of fear, passion or anger – bypass the “rational” neocortex and go straight to the amygdala. It is a legacy of the “fight or flight” days when a few milliseconds of delay – to allow the neocortex to process a potential threat – could prove fatal.

Though there is nothing we can do about this basic fact of human evolution, there are some ways of taming the amygdala. Children with hair-trigger amygdalae can be calmed, Goleman argues. People whose amygdalae frequently hijack the neocortex's thinking processes can teach themselves to break free from this tyranny. The remedies are not astonishingly original – they include going for a walk to calm down, taking aerobic exercise, avoiding a self-reinforcing spiral of anger, finding enjoyable distractions.

Still, Goleman's tips are convincing, and his arguments against ventilating anger are refreshing.

Once these introductory chapters are over, however, the book abandons most of its reliance on brain science and moves instead into more familiar areas of psychology. The conclusions are again unoriginal. Optimists do better than pessimists, for example. A child who prefers two marshmallows later to one marshmallow now will almost certainly outperform peers who settle for instant gratification. Empathy is a great social skill, and is largely learnt in very early childhood. Popular people are good at monitoring their own emotions and those of others, and know how to adjust their behaviour to obtain the desired response – though they must avoid taking this too far and becoming “anchorless social chameleons”.

Throughout, the book is

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to “fine”), e-mail: letters.editor@ft.com. Translation may be available for letters written in the main international languages.

Globalisation benefits modernising economies

From Mr Owen Cylke

Sir, Martin Wolf dismisses the potential of globalisation and just a bit too quickly (“The global economy myth”, February 13). While I would not argue that globalisation will soon control national governments, it will certainly affect national economies. And I believe that it may have consequences for the modernising economies of the developing world that will redound to all of our benefit. Example. The International

Standards Organisation's (ISO) efforts to promote total quality management, ISO 9000, and total quality environmental management, ISO 14000, are sweeping Asia, eastern Europe, and South America. Ministers of finance may decry the efforts of OECD donor countries to enforce environmental standards through their aid programmes, but they recognise the probability that environmental standards, and particularly ISO 14000, may become a condition

for continuing access to OECD markets. Hence the rush of American, British and German environmental consulting organisations to those developing regions – ahead even of the market opportunity in their own countries.

Indeed, as I have argued before, the seeds of a clean industrial revolution in the fast-growing countries of Asia, eastern Europe, and South America are embedded in the globalising force of international standards.

National governments and economies operate at their peril if they fail to recognise the power of these new globalising forces. They are certainly not a myth, nor exaggeration to the likes of Hyundai, Sanyo, et al. Hopefully not to Digital, Ford, or Xerox.

Owen Cylke, senior fellow, Tata Energy & Resources Institute, Washington DC, US

Good reasons why gold may not be used as real money

From Dr Alexander Sharov

Sir, It is a mistake to say that there are no theoretical reasons why the world could not enjoy free banking based on gold (“Bring back gold”, February 5). It may surprise western readers, but this problem was the subject of a lengthy academic discussion in the former Soviet Union. Most experts agreed that gold can no longer be used as real money (even if used as backing for banknotes or other claims) in a market economy.

My own view is as follows:
● Commodity prices have no connection, as they had until this century, with the price of gold.
● Modern credit or non-commodity money

displays an ability to service the circulation of goods independent of its own quantity (which was not possible with real-value gold). On some views this was a cause of this century's high inflation.

● Thanks to high inflation, any connection between banks' gold reserves and the money supply is completely destroyed. These days a story about a non-inflationary gold-backed money supply resembles a tale from *A Thousand and One Nights*.

Alexander Sharov, research director, Institute for Banking, 11 Golden Gate, Kiev, 252094 Ukraine

Startling conclusion about the Singapore Chinese

From Mr Abdul Aziz Mahmood

Sir, James Morgan (“Sandra and Nelly's lesson from the east”, February 3/4) is right that Asia is ethnically and culturally diverse. But about 1.5bn people in Japan, Korea, Vietnam and China have all used the Chinese script or its variants for centuries. They have imbibed the precepts of Confucianism, share some basic cultural traditions and values and are influenced by Buddhism.

Of Singapore, James Morgan wrote: “The population was moved to fine new estates where Cantonese and Hokkien found themselves living side by side. They then learned Mandarin to understand each other. Ancient values

disappeared with ancient slums, and a largely Chinese population, for the first time in history, stopped spitting and admired its government.”

Cantonese and Hokkien are spoken variants of the same written language. To say that a change in pronouncing the same language, from dialect to Mandarin, made ancient values disappear is startling. Alas, spitting is an ancient Chinese habit. But it can hardly be said an ancient value disappeared when Singapore's Chinese population stopped spitting.

Abdul Aziz Mahmood, high commissioner, Republic of Singapore, 9 Wilton Crescent, London SW1X 8SA, UK

Moves to outlaw bribes would assist arms control efforts

From Mr Laurence Cockcroft

Sir, The support offered by the five union leaders (Letters, February 12) to the tougher regime on international arms control proposed by a coalition of non-governmental organisations across Europe is indeed welcome. One of the forces driving this dangerous trade are the colossal pay-offs which can be achieved by individuals associated with arms deals either as buyers or sellers.

A gross anomaly of the present international legal regime is that in nearly all OECD member states the payment of a bribe in another country is not an offence, and

in most states remains tax deductible.

The value of these bribes in the arms trade was confirmed by a recent report of the DGSE (French secret service) which stated that Odebrecht (the official export credit agency of France) had paid close to £1.3bn in bribes to foreign purchasers of “defence equipment” in 1994. The wide acceptance of the practice in other EU member states is further confirmed by the resignation of Willy Claes as secretary-general of Nato as a result of an alleged £1m payment by the Augusta helicopter manufacturing company to the Socialist party of Belgium in 1988.

In his 1995 report to President Bill Clinton, James Woolsey, the former director of the CIA, stated that monitoring the payment of bribes to potential customers by national trading rivals of the US had become a key function of his agency – especially in relation to arms deals.

The OECD countries are in the midst of a process of moving gradually towards a regime in which transnational bribes are (a) outlawed, (b) no longer tax-deductible and (c) potentially traceable through the audit process. Effective implementation of the OECD's recommendation could do

much to reinforce the code of conduct proposed as a means of limiting the arms trade, and so begin to combat the human, moral and economic damage caused by the killing industry. Transparency International is glad the UK government has taken a progressive stance in the OECD process – it would welcome a similar effective stance, in particular, by all other members of the EU.

Laurence Cockcroft, board member, Transparency International, 1 George Street, Uxbridge, Middlesex UB8 3HQ, UK

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Secret report rejects idea of GEC-BAE link
UK defence companies face merger opposition

By Bernard Gray, Defence Correspondent

The UK Ministry of Defence would oppose any attempt by the General Electric Company, the British electronics company, and British Aerospace, the aircraft manufacturer, to merge their defence businesses, according to a secret report on the future of the European defence industry. While the department backs the merger of electronics companies and aircraft makers across Europe, it specifically rejects the idea of component suppliers merging with aircraft makers.

It believes such mergers cut competition and rarely produce

the savings claimed for them. Within the UK, the department's view effectively applies only to the much-mooted link between GEC and BAE. The MoD thinks the creation of such a "national champion" in defence would damage the government's ability to hold competitions for defence equipment, such as the current series of bids for a £2.5bn missile contract, in which GEC and BAE are on opposing teams.

However, GEC and BAE are considering merging their defence interests as part of the wider consolidation of the European defence industry. Both companies are also talking to possible continental partners: BAE is exploring links with Daimler-Benz Aerospace and GEC is interested in Thomson-CSF, the French defence electronics company.

Yet neither has given up on the idea of a BAE-GEC deal, which would be easier to complete than a continental merger and would

give it a dominant position in its home market. Senior executives in both companies are privately angry about the MoD's attitude and are working to get the policy changed. They may have allies in the Department of Trade and Industry, which was last week given a bigger role in defence procurement. Mr Michael Heseltine, the deputy prime minister, is also thought to be pushing for more support for company mergers.

The MoD's attitude to mergers has been softening in response to pressure, most notably from a Commons select committee report which savagely attacked the department. However, it may not have shifted far enough to satisfy its critics, who want the department actively to support mergers and rationalisation proposed by the industry.

If GEC and BAE do try to merge their defence operations, there is still likely to be a Whitehall battle.

Turkish parties to resume talks on coalition

By John Barham in Ankara

Refa, Turkey's Islamist party, and the opposition conservative Motherland party are to resume talks today amid suggestions that they have agreed to form a new coalition government. Turkish media reports last night indicated the two parties had agreed in principle to form a government, ending five weeks of political deadlock since the December 25 general election. Senior figures of both parties would neither confirm nor deny the reports.

Any involvement by Refah in a ruling coalition would alarm western governments, fearing it could weaken Turkey's commitment to Nato and its role as a base for western air operations in northern Iraq.

However, many western analysts believe Refah and its supporters are more immediately concerned with domestic issues, such as poverty and misgovernment in Turkey's growing cities, than foreign affairs - although the business community hopes Motherland's strong economic team would be in charge of the financial ministries.

Shil, Refah may dictate a harder line in Turkish-Greek disputes. Mrs Tansu Ciller, the Turkish caretaker prime minister, won praise from Washington for backing off from military action against Greece during the recent showdown over an Aegean island - but Refah accused her of betrayal.

"The presence of Refah will give the government less room for manoeuvre in the handling of Aegean disputes," said one US analyst.

Turkish television said last night the two parties' leaders would rotate the premiership, with Mr Mesut Yilmaz, Motherland party leader, heading the government for its first period in office. Refah, the largest party in parliament, had strongly resisted sharing the premiership.

Last night political analysts warned that the parties appeared not to have agreed on basic policy issues.

The news of talks surprised many observers since the two leaders had fallen out after Mr Necmettin Erbakan, Refah leader, had praised Iran's Islamic revolution last week.

If the two parties do agree on a formula for sharing power, the coalition could shift Turkey politically. Refah has softened its militant rhetoric since it took 21 per cent of the vote in the election, but it remains committed to transforming Turkey's 78-year-old secular state into an Islamic republic.

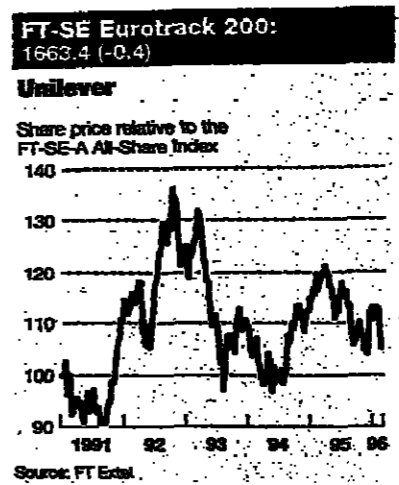
Mr Yilmaz said during the election campaign he would not form an alliance with Refah, but was faced with little alternative when talks with Mrs Ciller over forming a coalition failed.

THE LEX COLUMN

Unilever lather

If Unilever thought that buying a shampoo maker would wash its problems right out of its hair, it was wrong. The \$770m (£500m) takeover of Helene Curtis looks like a sweet deal. Curtis, which makes shampoos, conditioners and deodorants, will double the size of Unilever's personal care business in the US - a market the Anglo-Dutch giant has been trying to crack for years. Unilever should be able to turn around the US group's international operations, many of which are losing money. At 40 times historical earnings, the price looks high. But this reflects the depressed margins at Curtis, which should be easy to improve. In fact, Unilever is paying only 60p for every £1 of sales.

But the deal was rather overshadowed by news that rival Procter & Gamble is cutting prices on large parts of its UK product range, including nappies, household cleaners and detergents. The move is targeted at own-label suppliers such as McBride. But reductions of up to 10 per cent are clearly bad news for Unilever, particularly in segments like dishwashing liquids where its Persil brand is second to P&G's Fairy. The real worry is that P&G, feeling it has Unilever on the run following the Persil Power debacle, may roll out these price cuts globally. The recent restructuring charges announced by Danone of France and Unilever itself, as well as price reductions from Italian pasta maker Barilla, suggest Europe's consumer products companies are finding it increasingly difficult to generate reasonable earnings growth.



Weddings and a Funeral in the 1996 crop of film releases, to push its four-year-old film operation into profit.

PolyGram has an impressive record, particularly given the nature of its business, but all this still requires a considerable leap of faith. Established artists are likely, but not certain, to repeat past successes, and the expected bulge in album releases could evaporate if more deadlines are missed. Film blockbusters are even harder to make to order.

There must, then, be some doubt about whether the level of risk inherent in the business is adequately reflected in PolyGram's share price. At around 19 times prospective earnings, the shares certainly do not look cheap.

Investor/Scania

The likely \$3r3bn (\$4.3bn) flotation of Scania, the Swedish truckmaker, looks a mouth-watering prospect for international investors. Demand for heavy trucks has slowed from the record levels of 1995, but the industry does not expect a severe downturn and prospects look healthier than for cars. Scania is the world's fifth largest manufacturer, but it is by far the most profitable. Operating margins are currently around 15 per cent and averaged nearly 10 per cent during the recession compared with 25 cent at Mercedes and Volvo. It has been consistently in the black for more than 60 years. The group's new Series 4 truck - the first significant product launch for 15 years - has won a Truck of the Year award, which should justify its premium pricing.

The flotation of 65 per cent of Scania also presages big changes for Investor,

the Wallenberg holding company which currently owns 100 per cent. The Wallenbergs aim to invest more in growth areas such as healthcare and information technology and to reduce their exposure to cyclical industries like engineering and forestry.

The hope is that this will reduce the 20 per cent discount to net assets at which the Wallenberg companies have tended to trade. The recent takeover of Gambro, a medical technology group, by Incentive, the junior Wallenberg company, was a start. Floating Scania is the next step. The 16 per cent jump in Investor's shares over the past three weeks shows that its strategy is paying off.

UK inflation

The British chancellor of the exchequer, like his predecessor, must be singing in his bath. The Bank of England may not regard its remarkably cheerful inflation report, published yesterday, as a green light for further interest rate cuts. But that is no doubt how the chancellor will see it.

For the first time since 1984, the Bank thinks inflation will be below the government's 2½ per cent target in two years - even taking the two recent rate cuts into account. Given the Bank's recent record of over-cautious inflation forecasts, the chancellor is likely to have little hesitation in cutting rates further. This is certainly what the markets expect.

Of course, 2½ per cent inflation is very low by British standards. Missing it even by a few percentage points would hardly constitute a return to 1980s-style overheating. So why worry at all?

The answer is simply that building anti-inflationary credibility is a long-term project - one into which the government has invested huge amounts of political capital. If the government's mission to gain monetary credibility were working, market expectations of long-term inflation rates ought to be gradually falling. But they are not. The inflation rate expectations implied in long-term bond yields have actually been rising for some time. In other words, the credibility which the government has paid such a high price for is already beginning to slip through its hands. Further rate cuts would only serve to hasten its demise.

Additional Lex comment on Lloyds Abbey Life, Page 20

Gramm quits Republican race for the White House

By Patti Waldmeir in Washington

Senator Phil Gramm of Texas yesterday pulled out of the race for the Republican presidential nomination, leaving the remaining eight candidates competing for his supporters ahead of the make-or-break New Hampshire primary.

"I am today ending my campaign for president," he told supporters in Washington. "It would be unfair for me to remain in the race when I know I'm not going to win," he said.

Senator Bob Dole, the Senate majority leader and Republican frontrunner, was hoping yesterday to collect Mr Gramm's endorsement for his candidacy, but the Texas senator said he had not yet made up his mind.

He hinted that he would not be endorsing Mr Pat Buchanan, the ultra-conservative commentator, whom he criticised sharply for protectionist trade policies which he said conflicted with Republican policy.

With or without an endorsement, many of Mr Gramm's sup-

porters are likely to opt for Mr Dole, whose campaign received a further boost with the news that two high-profile state governors will back him.

Governor William Weld of Massachusetts, neighbouring state to New Hampshire, and Governor George Allen of Virginia were travelling to New England yesterday to campaign for Mr Dole, who now has the support of 24 of the 31 Republican governors.

But endorsements from 22 of those governors did not prevent him from faltering in the Iowa caucuses. Mr Dole underlined the importance of the New Hampshire poll yesterday when he said: "You don't go to the White House unless you win New Hampshire." President Bill Clinton is the only recent candidate to have lost the state but won the White House.

Mr Dole was not alone in collecting high-profile endorsements yesterday. Mr Lamar Alexander, the former Tennessee governor who gained a burst of momentum by finishing a strong third in Iowa, won the backing of Mr Wil-

liam Bennett, a former education secretary. This was a blow to Mr Dole, who would have welcomed the backing of such a noted conservative. Mr Alexander hopes the endorsement will help him gain support among social conservatives in New Hampshire.

All of the eight remaining candidates were campaigning actively in the state yesterday, and focusing their efforts on the conservative vote, which did so much to determine the outcome in Iowa. Mr Dole has shifted to a more populist message since arriving in New Hampshire, attacking corporate greed and appealing for the support of blue collar workers, who heavily backed Mr Buchanan in Iowa.

Dole campaign officials said they considered Mr Buchanan their most serious opponent in New Hampshire.

Mr Steve Forbes, the multimillionaire publisher, was also due to relaunch his flagging campaign in New Hampshire yesterday, after a day spent rethinking his advertising strategy following his fourth-place finish in Iowa.

P&G pricing Scania poised for flotation

Continued from Page 1

P&G's nerve analysts said. When it made a permanent cut of 7 per cent in the UK price of its disposable nappies in December, sales rose. But when Kimberly Clark, its main competitor, responded briefly with a 25 per cent cut, "there was a short hiatus in sales growth", a P&G UK executive said.

Continued from Page 1

Scania, the world's most profitable truckmaker which has been a jewel in the Wallenberg crown. Until investor split the companies a year ago, Scania was grouped in Saab-Scania with the troubled Saab aviation and Saab Automobile operations. But since then it has been wholly independent.

In the first nine months of last year, Scania returned pre-tax profits of SKr3.8bn, achieving an operating margin of more than 15 per cent. It is set to be the engine behind an expected rise in Investor's 1996 profits from SKr3.08bn to SKr5.3bn.

Speculation about flotation has helped push up Investor shares. Yesterday, Investor B shares rose SKr1.50 to close at SKr244.50.

FT WEATHER GUIDE

Europe today
A vigorous depression over the Norwegian Sea will cause unsettled conditions over southern Scandinavia. A strong but relatively warm westerly air flow will bring torrential rain and sleet to southern Norway. Cloud will prevail from Scotland to Denmark and there will be occasional rain. The Low Countries, England, northern France and northern parts of Germany will be sunny. Cloud will persist over Bavaria and central Europe. Spain will have cloud with sunny spells. Rain is expected around Gibraltar and there will be showers over southern Italy and western Greece.

Five-day forecast
A series of low pressure systems will influence the UK, Scandinavia and western and central Europe producing mild conditions. Sleet or snow will occur over higher terrain. Winds will be strong at times.

TODAY'S TEMPERATURES

Abu Dhabi	sun	25	Beijing	cloudy	4	Caracas	fair	29	Faro	rain	14	Madrid	shower	12	Rangoon	sun	34
Accra	cloudy	33	Belfast	cloudy	9	Cardiff	fair	6	Frankfurt	cloudy	0	Manila	shower	10	Riyadh	rain	7
Algiers	rain	14	Berlin	cloudy	0	Chicago	fair	-4	Geneva	cloudy	1	Moscow	cloudy	1	Rome	cloudy	11
Ankara	fair	3	Bombay	sun	33	Cologne	fair	1	Glasgow	rain	10	Mumbai	rain	31	S. Frisco	fair	16
Athens	cloudy	15	Buenos Aires	sun	20	Dakar	sun	23	Hamburg	cloudy	2	Manila	sun	24	Seoul	sun	7
Atlanta	rain	13	Busselton	sun	1	Dallas	sun	20	Helsinki	cloudy	-6	Medan	sun	20	Singapore	cloudy	30
B. Aires	sun	30	Budapest	snow	-1	Dhaka	sun	24	Hong Kong	cloudy	24	Miami	fair	26	Stockholm	snow	-1
B. Herm	fair	6	C. Jagan	sleet	-1	Dublin	cloudy	8	Honolulu	fair	25	Milan	fair	25	Sydney	windy	21
Bangkok	sun	27	Durban	sun	27	Edinburgh	rain	10	Istanbul	fair	11	Montreal	shower	28	Taipei	rain	13
Barcelona	cloudy	10	Cape Town	sun	27	Edinburgh	rain	10	Jakarta	shower	28	Moscow	cloudy	-7	Tokyo	fair	20

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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